

Far Western Chapter



FALL 2004 NEWSLETTER

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President's Message (continued)

valuable resource but only if you dare to take that first small step. We're not talking giant leap here.

The NSAC has launched a wonderful new program, the mentoring program, which you can read about in greater detail at page 5. My personal thanks to Mr. Brett Huston for taking on the role of Chairman of the Mentor Committee. I encourage new members to contact Brett to be assigned a mentor and existing members to volunteer to serve as a mentor. Through active participation, new and long-time members alike will more fully realize the benefits NSAC and the Far Western Chapter can provide

Don't forget to mark your calendars for August 1st thru 3rd, 2005 (or for that matter why not the whole week?) for attendance at the 70th Annual National Conference being held in Monterey. The program planning process has begun. If you know of a topic that would be of special interest to you, your company, or the industry as a whole or are familiar with a good speaker, please forward your thoughts and ideas to either Dan Nutley (Conference Chair) or myself for consideration. We are also interested in hearing your recommendations for how spouses, families and our "out-of-chapter" guests can best fill a week in Monterey. Perhaps we can forward your best ideas to the National Office for posting on their web site to encourage Conference attendance and an extended stay in the Far West.

This month newsletter Chairman Brent Morrison is embarking on a several new features, including a special "Member Profile" corner (see page 4). I think it's a great idea but I'm not sure about the choice of "guinea pig." Until the next time, "enjoy life!"

NATIONAL DIRECTOR'S REPORT

Matt Connors

In my last message, I briefly mentioned the NSAC's website, www.nsacoop.org. I thought I would take a brief moment now to mention a few of the things that

you can find there. My hope is that this will entice those of you who have not visited the site to do so. It really is a good source of information and a valuable part of your membership in NSAC.

NSAC Distance Learning: Are you new to the cooperative industry? Do you have a new employee with no cooperative experience? Do you want to refresh or dust off some technical knowledge? The problem for those of us in the cooperative industry is there is so little specialized education for our industry and it can be time consuming and costly, especially with travel costs.

NSAC Distance Learning may be just the solution for you! Now you can participate in low-cost web casts without leaving your office. The last session was an update on cooperative tax issues by George Benson. George is a true industry leader; participants were able to gain his insights for the low cost of \$56. That one fee allows attendance of up to 12 people. You can't beat this price and earn CPE as well. I urge you to visit www.nsacoop.org for information about upcoming seminars and testimonials about previous ones. This is a valuable service for our members.

Advocacy: When I first joined NSAC and heard the topic of advocacy pop up, the most common sentiment "I wish the FASB could just spell the word cooperative!" Things have changed and we are certainly on their radar screen now. I have written in the past about the effort your NSAC has put into FAS 150, the Debt and Equity Pronouncement. With regard to FAS 150, we continue to work for the industry and have achieved some success. On October 6th, another step was taken by the FASB, which was directly influenced by the work of NSAC members and other advocates in the cooperative community. Go to the website to learn more about this exciting development.

More Advocacy: We now are getting additional benefits from our recognition by the FASB. Recently, NSAC was asked by the International

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Accounting Standards Board to comment on a draft interpretation on Members' Shares in Cooperative Entities. This shows that we are being recognized as a legitimate advocate for our industry, which means your voice is now heard. If you want to see our letter and the response from the IASB, I urge you to go to the website.

Annual Conference Reports: Did you miss the 2004 Annual Meeting and Tax Seminar? As I shared in the previous newsletter, the annual convention in Denver was fantastic. If you weren't able to attend, you can go to our website and see photos and summaries of each of the presentations. This will give you a brief overview of the topics covered and provide insights on the issues facing cooperatives today.

There is much more to the website, but hopefully I have enticed you take a look. As always, I would appreciate your feedback on this or any topic. Feel free to contact me any time by email at mconnors@diamondnuts.com or by office phone at (209) 467-6767. Or contact our National Executive Committee Member, Richard French at (818) 376-7402 or rfrench@sunkistgrowers.com. We would like to hear from you. Happy Holidays!

INTERNATIONAL ACCOUNTING STANDARD 32: SFAS 150's EVIL TWIN Chris Knowles

NOTE: *Chris Knowles is Company Secretary of Foodstuffs (South Island) Limited, one of three autonomous, retailer-owned co-operative companies comprising the Foodstuffs companies of New Zealand. Many Far Western Chapter members met Chris and his wife Vivien at our 2003 conference in Monterey.*

You will all be aware of the problems that will be imposed by the adoption of IAS 32 (the equivalent of FAS 150) in relation to the defining of member contributions as either equity or debt, based on whether a contractual right exists for the holder (cooperative member) to call upon the issuer (the cooperative) to redeem or repay the instrument.

In New Zealand we operate under two statutes, the over-arching 1993 Companies Act and the 1996 Cooperative Companies Act.

The reason for the two statutes is that our 1993 Companies Act did away with the concept of nominal value shares embodied in our previous 1955 Companies Act and replaced it with an asset backing valuation of shares approach to equity. This meant that the cooperative principal of a dollar in and a dollar out and systematic redemption of patronage type shares was at risk.

To correct this and other problems, the 1996 Cooperative Companies Act was passed to provide for companies registered under the Act to continue to use nominal value shares. For an unrelated reason our government also decided there should be an absolute right granted to cooperative members who lost the ability to continue to trade with their cooperative (e.g., sold the farm) to have their shares redeemed by the cooperative within five years from the date they ceased trading with the cooperative.

To accommodate this, they included a section within the Act giving the cooperative shareholder their right to "put" their cooperative share back to the cooperative, forcing the cooperative to redeem the share for cash. Thus, most NZ cooperatives have equity structures that have been converted to debt structures by the application of IAS 32.

This standard brings a further problem as the cost of servicing this "debt" is an above-the-line cost, so the rebating of profits to members in accordance with usage, which is linked to membership shares, suddenly becomes an expense rather than a profit distribution.

In my company's case, which takes us to the extreme, our members all have one \$1 nominal value redeemable membership share which entitles these members to a rebate in accordance with their volume of trade with the cooperative. Currently we have 1,228 of these shares on issue on which we paid total rebates of NZ\$105.1 million (US\$73.1 million) in our last financial year. Under IAS 32 this is now an "interest expense" rather than a distribution of profits.

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These sorts of problems have caused the NZ Cooperative Association to become involved in making submissions to our Financial Reporting Standards Board (FRSB) and the International Accounting Standards Board (IASB). As a Councilor of the NZ Cooperatives Association, I have been actively involved in these submissions, which have generally been under three headings:

Recognition of Cooperative Equity: The general thrust of the submissions has been that the IASB approach is flawed as it does not recognize or accommodate:

- (a) cooperative equity structures which include systematic taking and redemption of patronage shares;
- (b) the general concept that cooperative capital is provided to secure “services” not merely a financial return on the capital invested.

Presentation of capital within balance sheet/statements of financial position: Members expect their contributions to be recorded in one place within a balance sheet not recorded amongst other categories in the liabilities section regardless of how international accounting standards define them:

Member Equity and Funding Contributions

Equity - Membership shares	\$
Term Liabilities – Redeemable Shares	
Current Liabilities – Deposit Accounts	
Total Members Equity	\$

This is followed by other liabilities grouped as term or current as opposed to having the redeemable shares now classified as term liabilities and recorded together with other term borrowings such as mortgages.

Separation of Profit and Equity Debt Servicing: This is the concept that only the portion of profit that can be identified as true equity / debt servicing, be treated as an “other debt servicing cost” in the Statement of Financial Performance.

In New Zealand, cooperative entities contribute 22% of the nation’s GDP. This may be why, to date, our submissions do not appear to have fallen on deaf ears. A working party has been established between the FRSB and the NZ Cooperative Association. This

group has developed draft forms of presentation to solve some of the problems referred to above and meet (hopefully) the IAS requirements. These draft forms of presentation are being peer reviewed by a New Zealand technical advisory group which includes members of the big four accounting firms before being forwarded to our FRSB for formal approval.

If formal approval is granted, the drafts will then be sent forward to the IASB for comment and approval and most likely adopted as New Zealand IAS until such time as the IASB can review IAS 32. It is hoped this process will be completed by early 2005 as International Accounting Standards are to be adopted by all medium to large size companies in New Zealand between 2005 and 2007 without regard to whether they issue shares on the stock exchange or raise public money.

It is therefore essential that a stable platform is established for our cooperative entities to report against as quickly as possible.

MEMBER PROFILE: DOUG BUEHRLE

NOTE: “Member Profile” is a new regular feature that will profile Far Western Chapter members and their organizations.

Doug Buehrle is president of the Far Western Chapter of NSAC. He first joined NSAC in 1982 and previously served as our chapter’s president in 1993/94. In his day job, Doug is the Chief Financial Officer of NuCal Foods, Inc., in Ripon, California. He joined NuCal in December 1997.



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Doug and his wife Michelle live in Ripon and have been blessed with Zadie, 10; Harrison, 7; and Sarah Beth, 5. All are home schooled and between them enjoy ballet, piano, harp, hockey, baseball, and reading. Doug lists no hobbies for Sarah Beth, who may be too busy preparing to “rule the world,” as he puts it.

Doug holds degrees in economics and accounting from California State University, Fullerton. He enjoys baseball, hockey, golf, wine, eagles, space exploration, and was once a professional bowler. Doug was born in Youngstown, Ohio, but was raised in southern California

NuCal Foods Inc. was formed in 1996 by the merger of Nulaid Foods Co-op and Cal Eggs Co-op. It is the largest producer, marketer, and distributor of shell eggs in the Western United States.

A totally integrated egg producer, NuCal Foods controls production from feed milling and dietary control, to flock acquisition processing, to distribution and marketing. This comprehensive approach assures NuCal's customers of quality and consistency.

NuCal maintains five distribution hubs in Northern California and affiliates in Washington, Oregon and Utah in order to assure quality and timely delivery. NuCal maintains a fleet of nearly 100 refrigerated trucks to guarantee freshness and on-time delivery.

COMMITTEE REPORTS

2005 Time & Place Committee, Dan Nutley
(209) 955-6108
dan.nutley@mossadams.com

The Far Western Chapter will host the NSAC National Conference, August 1 – 3, 2005. Dan Nutley, Bev Osbelt, Phoebe Taylor, and Don Butwill manned a table to promote our conference throughout the 2004 National Conference in Denver; all seemed enthusiastic about coming to Monterey.

The conference will be held at the Portola Plaza Hotel (the Double Tree under new ownership). We now need to turn our creative juices to program development and social activities. We have reserved the aquarium for the President's reception on Monday night. The Aquarium proposes we use the Outer Bay Wing only for our reception and have a spouse's tour on Tuesday that would cover the whole aquarium. When I toured the Aquarium in September to assess if a two-hour reception makes sense in only the Outer Bay Wing, the staff indicated we could rent the Nearshore Wing for the same price and hold a half-hour beverage reception in Main Entrance area before the Nearshore Wing opened for us at 7:00. I would appreciate your thoughts on using one wing only. More information on the exhibits in each wing is available at www.montereybayaquarium.org.

We need to plan spouse's tours and Tuesday evening activities. I would appreciate your ideas for other social activities.

We will be working jointly with the National Program Committee to develop the general program for the conference. Please send us your ideas on speakers and topics.

Mentor Committee, Brett Huston
(916) 554-1654
bhuston@kpmg.com

Our new Mentor Committee is designed to help new members get the most out of their NSAC membership.

The committee will be a resource to answer questions about NSAC and to connect new members with fellow cooperative professionals. Its goal is to ensure new members realize the benefits the NSAC Far Western chapter can provide, which should help us both attract and retain members. New members will be encouraged to become

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involved in the chapter by attending chapter meetings and training.

If you are interested in helping with this committee, please contact Brett Huston.

Membership Committee, Steve Sutter
(530) 891-6474
ssutter@matson-isom.com

All NSAC members should have received a request from our new national office requesting a review and update of detailed individual membership issues. This is a final step in a major reorganization of our membership database. The end result will be a searchable database that will be available to members on the NSAC Website. Members can complete the paper form or sign on to the website (www.nsacoop.org) to complete this update. We encourage all members to assist us with this effort.

TIDBITS

News from the Far Western Chapter (and Beyond)

Congratulations to Bryan Alvistur of the Chico office of Matson & Isom on his promotion to Senior Manager. Bryan manages audits services for several of Matson & Isom's large cooperative clients.

Richard French notes that Sunkist has recently hired a corporate controller and tax manager, who we hope to meet at NSAC events soon. Sunkist had six staff members participate in NSAC's "Distance Learning" program, taking the "Introduction to Cooperatives" course, to which they gave rave reviews.

Daniel Vincent has been appointed President and CEO of Pacific Coast Producers. Mr. Vincent joined PCP in 1985 as Production Manager and previously held the positions of V. P. - Marketing and Executive VP. He was most recently PCP's Chief Operating Officer. Mr. Vincent has a BS from UC Davis and an MBA from the University of Santa Clara. He and his

wife, Libby, are the parents of two children. He succeeds Larry Clay who retired on June 1, 2004.

Diamond of California's ad campaign for Emerald Nuts is getting a lot of buzz. The website of the music video television network VH1 now features information from Emeraldnuts.com and the "Good News for Health Nuts" brochure. Slate.com posted a glowing review of the Emerald Nuts campaign; the writer of that article repeated his praise in an interview with National Public Radio. To top it off, the Philadelphia Inquirer wrote "These days hipness is a marketing tool, and, like CBGBs, shirts sold at Urban Outfitters or those decidedly odd Emerald Nuts commercials ... a smattering of cool is used to make would-be consumers feel that hipness is instantly attainable." Heck, anyone who knows Matt Connors knows Diamond of California is all about hip.

The newly revised and updated "A Legal Sourcebook for California Cooperatives: Start-Up & Administration," written by NSAC member Van Baldwin, will be available soon. For information or to order, contact University of California, Agriculture and Natural Resources Communication Services; 6701 San Pablo Avenue, 2nd Floor; Oakland, California 94608-1239. Or call (510) 642-2431; email danrcs@ucdavis.edu, or visit the ANR Communication Services website at <http://anrcatalog.ucdavis.edu>.

All three 2004 Value Added Producer Grant proposals prepared by Morrison Consulting for its clients were blessed with success, including one of only two maximum awards (\$500,000) in the country. Statewide, ten of the 35 California proposals submitted were awarded. Ninety-seven VAPG grants were awarded nationally.

Chris Knowles of Foodstuffs in New Zealand (see Chris's commentary on IAS 32 at page 3) plans to make the trip north for the Far Western Chapter's 2005 Annual Conference in Monterey. Chris would be interested in meeting with cooperatives that

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have made or are considering changes to their equity structures in response to SFAS 150. Chris can be contacted at cknowles@foodstuffs-si.co.nz.

Dave Cummings, a national NSAC director representing the Electric Cooperative Chapter and Silver Star coordinator for the Capitol Chapter, has assumed expanded responsibilities as the new AVP-Business Affairs for Old Dominion Electric Cooperative, headquartered in Richmond, Virginia. He was previously the AVP-Risk Management for Old Dominion. Old Dominion is a power supply cooperative that provides the energy needs of its 12 member electric distribution cooperatives in Virginia, Maryland, and Delaware.

If you have news about yourself, your company, or anything else of interest to NSAC members, please let us know. We are also interested in articles that have run in your company's newsletters or other publications. Contact newsletter editor Brent Morrison at Brent@Morrisonco.net, or call (530) 893-4764.

TIDBITS CONTEST WINNERS!



Congrats to Rich French and Chris Knowles, who won the drawings for a cotton-lined Sunsweet logo windbreaker and a Sunsweet dried fruit and nut basket, respectively.

The drawing is for those who contribute news items to "Tidbits" (see above). Prizes for this issue were donated by Ana Spyres of Sunsweet Growers Inc. and the Sunsweet Growers Store (see www.sunsweet.com).



Drawings are conducted by the company that donates the prizes. Out-of-chapter members are eligible during our Annual Conference year. The newsletter editor is not eligible.

New Members

Please welcome the following new members to the Far Western Chapter:

Bryan K. Andersen
Sunsweet Growers Inc.
901 N. Walton Avenue
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bandersen@sunsweet.com

Gary Robert Shimmin
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Bruce R. Gonzalez
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Commerce, CA 90040
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Thomas A. Watkins
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Chapter Officers

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Additional Committee Chairs include:

Education – Dan Nutley
Mentor Program – Brett Huston
Newsletter – Brent Morrison
Silver Star – Joe Lavagnino
2005 Time & Place (National) – Dan Nutley

The NSAC Board of Directors has approved a policy to permit approved organizations to present graphics, text, and/or artwork promoting their businesses in **The Cooperative Accountant** and certain other publications. In exchange, these organizations are asked to support NSAC as follows:

- One-half page presentation in each of four consecutive quarterly issues of **The Cooperative Accountant**, as well as the **Membership Directory & Resource Guide** - \$1,000
- Full page presentation in each of four consecutive quarterly issues of **The Cooperative Accountant**, as well as the **Membership Directory & Resource Guide** - \$2,000



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