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INTRODUCTION

This report describes and compares director compensation practices by California and non-California cooperatives and investor-owned businesses in the food system.

Thirty-three California cooperatives responded to a survey conducted by the Center for Cooperatives during July and August of 1995. Data for non-California cooperatives and investor-owned firms is from a Land O'Lakes report on director compensation for 16 food cooperatives and 13 investor-owned food companies. The non-California cooperatives are large agricultural firms located in the Midwest, East and South.

DIRECTOR COMPENSATION

Number of Cooperatives and Classification of Findings

California cooperatives were categorized by sales volume. Annual sales volume classes of less than and more than \$300 million were used. All tables used to report the findings use the same classifications for comparison. The categories include:

	Respondents
* California cooperatives with sales under \$300 million	26
* California cooperatives with sales over \$300 million	7
* Non-California cooperatives with sales over \$300 million	16
* Public food companies with sales over \$300 million [†]	13

[†]All investor-owned companies in this study are public food companies.

Director Per Diem (Table 1)

Of the 26 cooperatives with sales volume under \$300 million, 7 reported no compensation to directors for attending meetings. All California cooperatives with sales over \$300 million reported per diem compensation for their directors. The 16 non-California cooperatives compensated their directors on a per meeting basis. Eleven of the 13 private companies compensated directors per meeting.

Average per diem compensation for directors of California cooperatives was \$86 for firms with less than \$300 million in annual sales and \$150 for those with more than \$300 million in annual sales. The average per meeting (equivalent to a per diem) for non-California cooperatives in the \$300 million and above sales class was \$191. For investor-owned firms, average director compensation per meeting was nearly 8 times the amount paid to directors of California cooperatives with more than \$300 million in annual sales.

Table 1-- Director Per Diem

<i>Company or Co-op Size by Sales</i>	<i>Number</i>	<i>Range of Per Diem Compensation</i>	<i>Average Per Diem Compensation</i>	<i>Average # of Days Compensated</i>	<i>Range of Days Compensated</i>
California Cooperatives under \$300 mil	26	\$0-\$400	\$86	10	0-30
California Cooperatives over \$300 mil	7	\$25-\$250	\$150	21	8-45
Non-California Cooperatives over \$300 mil	16	\$90-\$300	\$191	18	12-53
Public Food Companies over \$300 mil	13	\$0-\$2,500	\$1,190	7	4-13

Annual Retainer for Directors (Table 2)

Except for board chairs, California cooperatives did not report annual retainers for their directors. A retainer is an annual or monthly payment to directors for serving on the board and is not linked to attendance at meetings. Six non-California cooperatives paid retainers to their directors in addition to their per meeting compensation. All investor-owned companies paid retainers to directors. Of these, two paid only a retainer and four paid both retainer and per meeting compensation.

Table 2-- Annual Retainer for Directors

<i>Company or Co-op Size by Sales</i>	<i>Number with Retainer*</i>	<i>Average Annual Retainer*</i>	<i>Range of Annual Retainer*</i>
California Cooperatives under \$300 mil	--	--	--
California Cooperatives over \$300 mil	--	--	--
Non-California Cooperatives over \$300 mil	6	\$3,688	\$0-\$24,000
Public Food Companies over \$300 mil	13	\$21,807	\$10,000-\$37,500

*California cooperatives did not report directors receiving retainers.

Annualized Compensation for Directors (Table 3)

To facilitate comparison of compensation practices by different firms, an annualized compensation formula is used. With no retainer, the formula equals per diem times 260. With a retainer, the formula is (total compensation X 260 days)/ total meeting days. As the table below shows, smaller cooperatives have lower annualized compensation and California cooperatives compensate directors at lower annual rates than non-California cooperatives.

Table 3-- Annualized Compensation for Directors

<i>Company or Co-op Size by Sales</i>	<i>Median Annualized* Compensation</i>	<i>Range of Annualized* Compensation</i>
California Cooperatives under \$300 mil	\$13,000	\$0-\$104,000
California Cooperatives over \$300 mil	\$52,000	\$6,500-\$65,000
Non-California Cooperatives over \$300 mil	\$61,750	\$23,400-\$288,600
Public Food Companies over \$300 mil	\$1,118,000	\$780,000-\$7,800,000

*Annualization =(Total Compensation X 260 days) /Total Meeting Days

Board Chair Per Diem (Table 4)

The average per diem compensation for board chairs in investor-owned firms is \$1,190. Non-California cooperatives also reimburse their chairs at higher rates (\$206) than do California cooperatives (\$146). The number of days for which chairs are compensated is greater than that reported for other directors. The average and range of days compensated is greatest for California cooperatives over \$300 million. Based on this survey, it appears that board chairs in California both spend more time serving their cooperatives and do so at lower rates of compensation.

Table 4--Board Chair Per Diem

<i>Company or Co-op Size by Sales</i>	<i>Number</i>	<i>Range of Per Diem Compensation</i>	<i>Average Per Diem Compensation</i>	<i>Average # of Days Compensated</i>	<i>Range of Days Compensated</i>
California Cooperatives under \$300 mil	26	\$0-\$400	\$73	22	0-100
California Cooperatives over \$300 mil	7	\$0-\$250	\$146	38	24-80
Non-California Cooperatives over \$300 mil	16	\$0-\$450	\$206	18	12-53
Public Food Companies over \$300 mil	13	\$0-\$2,500	\$1,190	7	4-13

Annual Retainer for Board Chairs (Table 5)

Only 7 California cooperatives reported paying retainers to their board chairs. Of these, four had sales under \$300 million and three had sales over \$300 million. Of the 16 non-California cooperatives, 7 paid retainers to their chairs. All chairs of investor-owned firms in the study received retainers.

The average retainer for chairs of California cooperatives is low because few paid retainers; the median is \$0. Cooperatives pay significantly lower retainers than investor-owned firms. Chairs of California cooperatives received slightly lower retainers than other cooperatives in the same size class.

Table 5--Annual Retainer for Board Chairs

<i>Company or Co-op Size by Sales</i>	<i>Number with Retainer</i>	<i>Average Annual Retainer*</i>	<i>Range of Annual Retainer</i>
California Cooperatives under \$300 mil	4	\$2,365	\$1,500-\$30,000
California Cooperatives over \$300 mil	3	\$3,400	\$1,000-\$15,000
Non-California Cooperatives over \$300 mil	7	\$3,688	\$2,000-\$24,000
Public Food Companies over \$300 mil	13	\$21,807	\$10,000-\$37,500

*Median retainer for cooperatives is \$0.

Annualized Compensation for Board Chairs (Table 6)

In most cases, annualized compensation for board chairs is greater than that for other directors. Chairs were compensated for more days, had greater per meeting compensation fees and were more likely to receive a retainer. Chairs in other states received higher average annualized compensation than California cooperatives.

Table 6-- Annualized Compensation for Board Chairs

<i>Company or Co-op Size by Sales</i>	<i>Median Annualized* Compensation</i>	<i>Range of Annualized* Compensation</i>
California Cooperatives under \$300 mil	\$22,750	\$0-\$260,000
California Cooperatives over \$300 mil	\$65,000	\$13,000-\$130,000
Non-California Cooperatives over \$300 mil	\$78,000	\$23,400-\$296,636
Public Food Companies over \$300 mil	\$1,118,000	\$780,000-\$7,800,000

*Annualization =(Total Compensation X 260 days)/Total Meeting Days

Compensation for Travel (Table 7)

The majority of cooperatives in all categories reported compensating their directors for travel expenses. Further, four California cooperatives with sales under \$300 million reported that they compensate their directors for travel time. Two California cooperatives in the higher sales class reported compensation for travel time.

Compensation for Spouse Travel (Table 7)

Of 28 California cooperatives reporting, 18 indicated that they offer some compensation for spouse travel to selected events. The extent of compensation varies. For non-California cooperatives, it was typical that expenses were paid for one meeting a year. For California cooperatives the amount compensated varied by cooperative. In some cases, the cooperative only paid for spouses' meals and lodgings. In others they paid all expenses for annual meetings attendance or industry meetings.

Compensation for Education Activities (Table 7)

This information was only collected for California cooperatives. The majority of cooperatives compensated their directors to attend educational activities such as NCFC meeting or director education programs.

Table 7--Other Compensation

<i>Company or Co-op Size by Sales</i>	<i>Number</i>	<i>Compensation for Travel</i>	<i>Compensation for Spouse Travel</i>	<i>Compensation for Education Activities</i>
California Cooperatives under \$300 mil	26	20	11	13
California Cooperatives over \$300 mil	7	7	6	3
Non-California Cooperatives over \$300 mil	16	11	6	not available
Public Food Companies over \$300 mil*	13	5	not available	not available

*Public food companies reported as paid expenses

Outside Directors

Three California cooperatives reported use of outside directors. All three cooperatives compensated outside directors at a rate of \$500 per meeting. The number of days for which outside directors were compensated ranged from 15-30.

Committee Chairs

California committee chairs received the same per meeting compensation as other directors except for one California cooperative. The committee chairs were often compensated for more days than directors. The survey did not account for committee chairs being compensated extra if the committee met the same day as the board.

CONCLUSIONS

This report offers no interpretation of the differences among classes of firms in terms of their compensation practices. In general, we are comfortable with the following conclusions:

1. Larger cooperatives compensate directors at higher rates than smaller cooperatives.
2. Relatively large cooperatives outside of California compensate directors at slightly higher rates than do California cooperatives of comparable size.
3. Directors of investor-owned firms are compensated at much higher rates than directors of relatively large cooperatives.
4. Substantial information from popular sources is available on director compensation trends and practices of investor-owned firms. In general, these trends include increased use of equity as a form of compensation for directors to assure a long-term stake and a long-term perspective in decision-making. Neither this literature nor its implications are discussed here. To investor-owned firms, an "outside director" is a non-employee. To a cooperative, an outside director is a non-grower or non-user of the business.