



Rural COOPERATIVES

USDA / Rural Development

September / October 2012

Gearing Up the Co-op Economy

**RECORD SALES YEAR
FOR CO-OPS** / *page 4*

**TOP 100 AG CO-OPS
FOR 2011** / *page 8*

**CO-OP MONTH SPECIAL
SECTION** / *page 20*

Commentary

October is National Cooperative Month. In support of the occasion, Agriculture Secretary Tom Vilsack has signed this proclamation, which is on display at a number of locations around USDA's headquarters in Washington, D.C.



UNITED STATES
DEPARTMENT OF AGRICULTURE
Office of the Secretary
Washington, D.C. 20250

NATIONAL COOPERATIVE MONTH October 2012

By the Secretary of Agriculture of the United States of America

A PROCLAMATION

WHEREAS 2012 has been declared as the International Year of Cooperatives by the United Nations—a declaration that the U.S. Department of Agriculture, as the Nation's primary source for cooperative education materials and research, fully supports; and

WHEREAS the official slogan of the International Year of Cooperatives is "Cooperative Enterprises Build a Better World," emphasizing the many contributions that cooperatives make to social and economic development around the globe; and

WHEREAS cooperatives help farmers and ranchers acquire production supplies and market and process their crops and livestock; deliver electricity and telecommunication services throughout rural America; and provide credit and other goods and services; and

WHEREAS more than 130 million people own the Nation's 30,000 cooperatives, which generate \$650 billion annually in economic activity, including \$170 billion in annual business conducted by nearly 2,500 farmer cooperatives with 2.2 million members;

NOW, THEREFORE, in recognition of the vital role that cooperatives play in improving economic opportunity and the quality of life in rural America, I, Thomas J. Vilsack, Secretary of the U.S. Department of Agriculture, do hereby proclaim October 2012 as National Cooperative Month. I encourage all Americans to learn more about cooperatives and to celebrate cooperatives' accomplishments with appropriate ceremonies and activities.

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of July 2012, the two-hundred thirty-seventh year of the Independence of the United States of America.


THOMAS J. VILSACK
Secretary

Features

Volume 79, Number 5
September/October 2012

Rural Cooperatives (1088-8845) is published bimonthly by USDA Rural Development, 1400 Independence Ave. SW, Stop 0705, Washington, DC. 20250-0705.

The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of the Department. Periodicals postage paid at Washington, DC. and additional mailing offices. Copies may be obtained from the Superintendent of Documents, Government Printing Office, Washington, DC, 20402, at \$23 per year. Postmaster: send address change to: Rural Cooperatives, USDA/RBS, Stop 3255, Wash., DC 20250-3255.

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This publication was printed with vegetable oil-based ink.



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ON THE COVER: The nation's nearly 2,300 agricultural cooperatives set new records for both sales and income in 2011, besting the previous sales record by more than \$10 billion. Also in this issue is our annual look at the nation's 100 largest ag co-ops, which also set records, thanks in large part to higher commodity prices in most sectors. See pages 4 and 8.






Farm co-ops set sales, income records

Number of full-time jobs up 1,800

Editor's note: Information for this article was compiled by the Cooperative Programs statistics staff of USDA Rural Development: Sarah Ali, Jacqueline E. Penn and E. Eldon Eversull.



Farmer, rancher and fishery cooperatives posted record sales and income in 2011, surpassing the previous record sales of 2008 by \$10 billion while besting the old income record by \$500 million. Employment levels remained strong, with cooperatives employing 184,000 full-time, part-time and seasonal workers, up slightly from 2010. The year saw double-digit increases in prices for dairy products, cotton, livestock and grains and oilseeds. Farm production expenses also had double-digit increases in 2011, with feed, fertilizer and fuel prices leading the upward trend. The 2,285 surveyed cooperatives had sales of \$213 billion, exceeding 2010 sales by more than \$40 billion (table 1).

“These new cooperative sales and income records for 2011 underscore the strength and productivity of the nation’s farmer- and rancher-owned cooperatives and the vital role they play in the nation’s economy,” says Dallas Tonsager, under secretary for USDA Rural Development. “Prices are expected to remain strong in 2012, but production may be dampened, with almost two-thirds of the contiguous U.S. experiencing drought.”

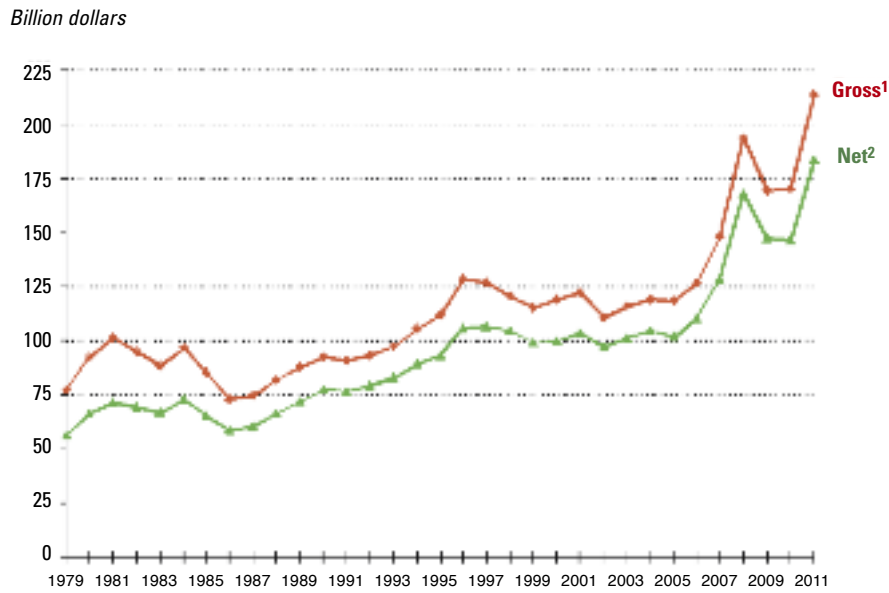
Grain and oilseed sales by cooperatives climbed by almost \$14 billion, while dairy product marketings increased \$8 billion (table 2). Cotton sales increased more than \$1.5 billion while livestock and sugar sales both gained over \$600 million. Sales of farm supplies increased by \$10 billion,



Table 1
U.S. cooperatives, comparison of 2011 and 2010

Item	2011	2010	Change
	Number	Number	Percent
Sales (Gross, Billion \$)			
Marketing	128.0	103.0	24.27
Supplies	80.9	63.8	26.72
Service	4.5	4.9	-9.69
Total	213.4	171.8	24.21
Balance sheet (Billion \$)			
Assets	78.5	65.0	20.68
Liabilities	50.6	39.2	29.11
Equity	27.9	25.9	7.90
Liabilities and net worth	78.5	65.0	20.68
Income Statement (Billion \$)			
Sales (Gross)	213.4	171.8	24.21
Patronage income	0.6	0.7	-11.42
Net income before taxes	5.4	4.3	25.53
Employees (Thousand)			
Full-time	130.9	129.0	1.43
Part-time, seasonal	52.8	54.4	-2.95
Total	183.6	183.4	0.13
Membership (Million)	2.3	2.2	1.83
Cooperatives (Number)	2,285	2,314	-1.25

Figure 1 — Cooperatives' Gross and Net Business Volumes, 1979–2011



¹ Includes inter-cooperative business.

² Excludes inter-cooperative business.

primarily due to increasing energy prices. Farm supply co-ops recorded gains of more than \$3 billion for petroleum products, while sales were up by \$1 billion for fertilizer, feed and crop protectants.

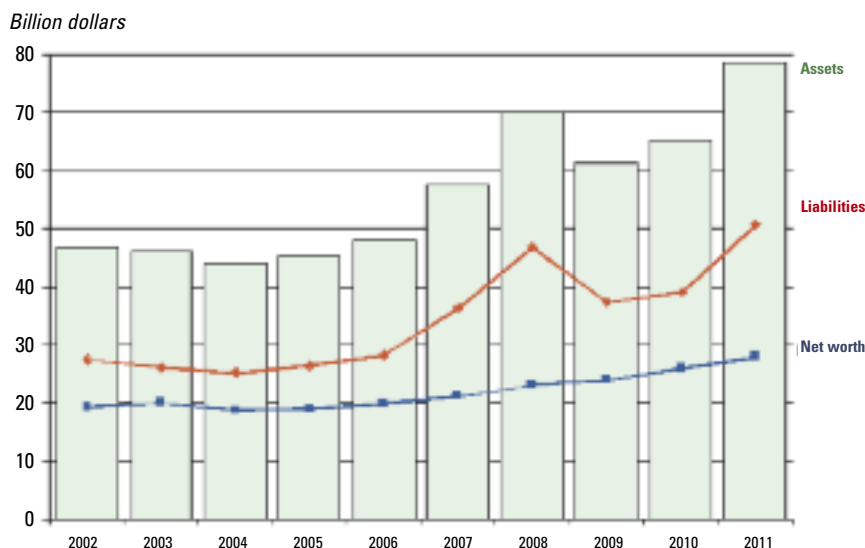
Net income before taxes for agricultural co-ops was a record \$5.4 billion, eclipsing the previous high of \$4.9 billion, set in 2008. Net income was up more than 25 percent, or \$1 billion, from 2010.

Marketing of food, fiber, renewable fuels and farm supplies by cooperatives experienced 24-percent increases over the previous year (table 1), according to the annual survey conducted by the Cooperative Programs office of USDA Rural Development. Gross business volume of \$213 billion was the largest ever, as was net income

Photo courtesy AGP Inc.



Figure 2 — Cooperatives' Assets, Liabilities, and Net Worth, 2002 – 2011



**Table 2
U.S. cooperatives net business volume, 2011 and 2010**

Item	2011	2010	Change
	<i>\$ billions</i>		
Products marketed:			
Bean and pea (dry edible)	0.151	0.160	-5.9
Cotton	3.971	2.294	73.1
Dairy	39.140	31.126	25.7
Fish	0.251	0.225	11.6
Fruit and vegetable	5.562	5.451	2.0
Grain and oilseed	53.923	40.489	33.2
Livestock	4.231	3.539	19.6
Nut	0.907	0.905	0.2
Poultry	1.302	1.179	10.4
Rice	1.536	1.518	1.2
Sugar	4.737	4.101	15.5
Tobacco	0.251	0.243	3.4
Wool and mohair	0.005	0.005	3.2
Other marketing	<u>5.817</u>	<u>4.522</u>	<u>28.6</u>
Total marketing	121.784	95.756	27.2
Supplies purchased:			
Crop protectants	6.494	5.641	15.1
Feed	10.531	8.599	22.5
Fertilizer	11.681	9.371	24.7
Petroleum	20.092	16.468	22.0
Seed	2.831	2.626	7.8
Other supplies	<u>5.692</u>	<u>4.413</u>	<u>29.0</u>
Total supplies	57.322	47.118	21.7
Services and other income	4.453	4.930	-9.7
Total business	183.559	147.805	24.2

before taxes (figure 1).

The value of cooperative assets in 2011 grew by about \$13 billion, with liabilities increasing by \$11 billion and owner equity gaining \$2 billion. Equity capital remains low but is clearly showing an upward trend, with an 8-percent increase over the previous year (figure 2).

Patronage income (refunds from other cooperatives due to sales between cooperatives) fell by more than 11 percent, to \$613 million, down from \$674 million in 2010.

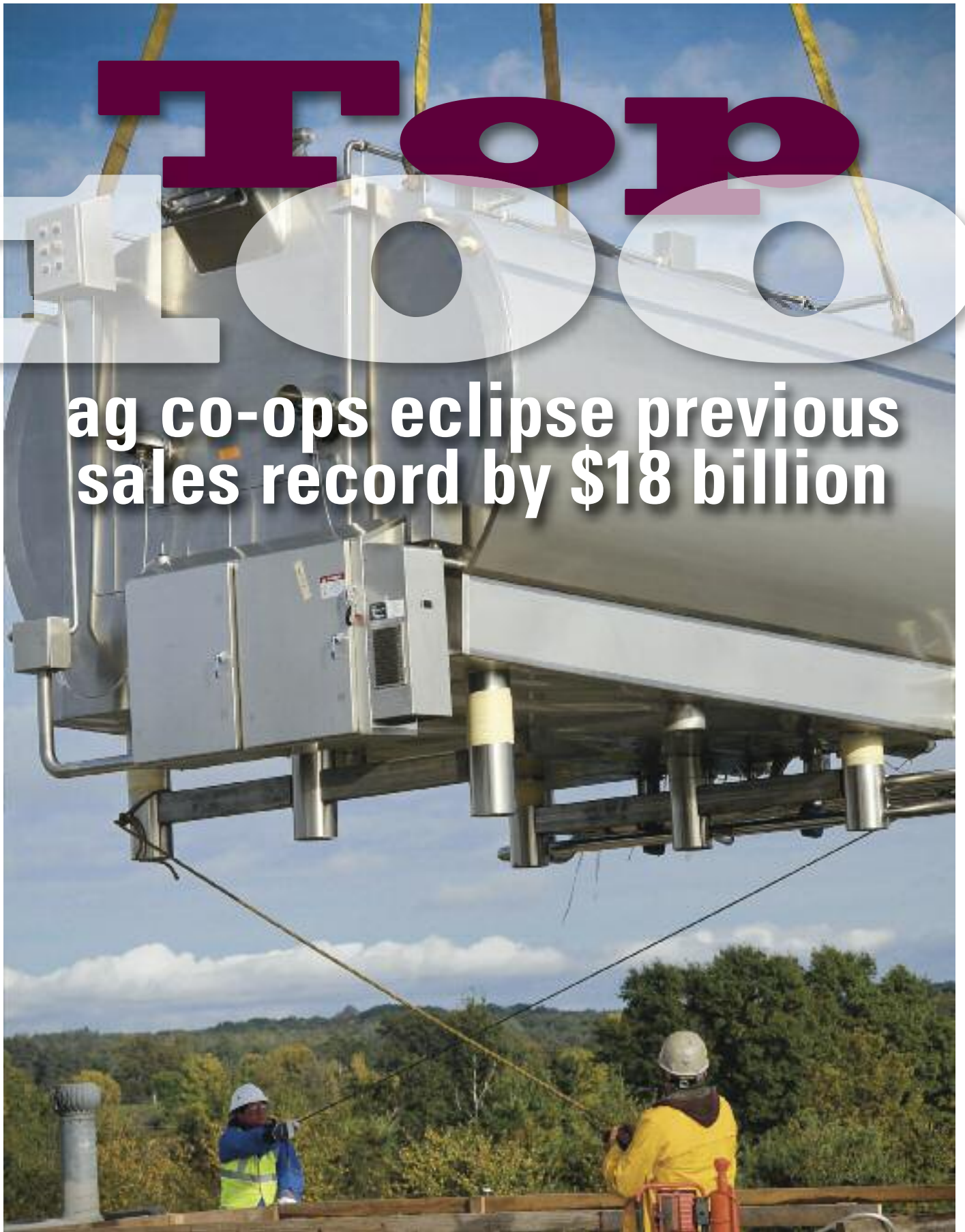
Farmer, rancher and fishery cooperatives remain one of the largest employers in many rural communities and also provide jobs in many cities. The total farm co-op workforce of 184,000 was up slightly from 2010. While full-time jobs at co-ops increased by 1,800, the number of part-time and seasonal employees declined by 1,600.

There was a continued downward trend in farm numbers, with USDA counting 2.2 million farms in 2011, down about 10,000 from 2010. The number of farmer cooperatives continues to decline; there are now 2,285 farmer, rancher and fishery cooperatives, down from 2,314 in 2010. Mergers account for most of the drop, resulting in larger cooperatives.

Producers held 2.3 million memberships in cooperatives in 2011, up 2 percent from 2010. The number of U.S. farms and cooperative memberships are now about equal. This does not mean that every producer is a member of an agricultural cooperative. Previous studies have found that many farmers and ranchers are members of up to three cooperatives, so farm numbers and cooperative memberships are not strictly comparable. ■

TOP

ag co-ops eclipse previous sales record by \$18 billion



A stainless steel cheese vat is installed at the AMPI dairy plant in Jim Falls, Wis. The co-op's investment in state-of-the-art cheese technology has led to the production of more and better cheese from the same volume of milk. Photo courtesy AMPI

By Sarah Ali and David Chesnick

Agricultural Economists
Cooperative Programs
USDA Rural Development



The nation's 100 largest agricultural cooperatives reported record sales revenue of \$148 billion in 2011, an increase of almost 30 percent over 2010, when revenue totaled \$113 billion (table 1). Net income for the 100 top co-ops also set a new record in 2011, reaching \$3.17 billion, up from \$2.35 billion in 2010. The previous records were \$130 billion for sales and \$2.42 billion for income, both marks set in 2008.

All seven function areas showed higher sales in 2011. Leading the increase were the mixed grain and farm supply cooperatives, with total sales increasing 37 percent. These cooperatives accounted for nearly one-half of the total increase in sales. Those cooperatives selling farm supplies saw sales of farm supplies increase by \$12 billion, or 36 percent.

Saint Paul home to two of top three co-ops

CHS Inc., Saint Paul, Minn. — an energy, farm supply, grain and food co-

op — was once again the nation's largest ag co-op, with \$36.9 billion in revenue in 2011. It was followed by Dairy Farmers of America, Kansas City, Mo., with \$12.9 billion in revenue. It traded places from 2010 with third ranked Land O' Lakes Inc., St. Paul, Minn., a dairy food and farm supply co-op, with \$12.8 billion in revenue.

Iowa is home to 14 of the top 100 ag co-ops, the most of any state. It is followed by Minnesota with 13, Nebraska with 10, California with 6 and Wisconsin with 5 top 100 ag co-ops.

The biggest upward jumps on the list were made by cotton cooperatives, due primarily to sharply higher cotton prices in 2011. Carolinas Cotton Growers Cooperative, Garner, N.C., made the largest upward jump, rising from 129 in 2010 to 71 on the 2011 list. It was followed by Calcot Ltd., Bakersfield, Calif., which climbed from 131 to 85 in 2011.

The next eight biggest gainers on the list were all grain or mixed (grain and farm supply) co-ops, again due largely to high grain prices.

Cost of goods sold rises

Cost of goods sold was also up 31 percent over 2011, mirroring the increase in total sales. With marketing cooperatives — such as dairy, fruit and

vegetables, cotton, sugar and grain co-ops — the cost of goods sold usually represent payments to members for their product.

Gross margins increased by 18 percent, to \$12 billion. However, gross margin as a percent of total sales declined from 9 percent in 2010 to 8 percent in 2011.

Service revenues were down 15 percent, to \$1.4 billion in 2011, with grain and mixed grain co-ops accounting for most of the decline.

Total expenses for the top 100 ag co-ops increased by 7 percent from 2010 to 2011. The largest cost increase was labor expense, which increased by nearly \$300 million in 2011, to \$5 billion. Dairy and mixed grain/farm supply cooperatives were the main cause of this increase.

While cooperatives are considered “not for profit”, they do generate net margins and pay taxes. The top 100 cooperatives paid 21 percent higher taxes in 2011. Farm supply cooperatives paid almost \$100 million more in taxes in 2011 than 2010, which accounted for the bulk of the increase.

Net margins climb \$800 million

Net margins increased by more than \$800 million in 2011. Most of the increase came within the mixed

Figure 1—Total Business Volume, Top 100 Ag Co-ops

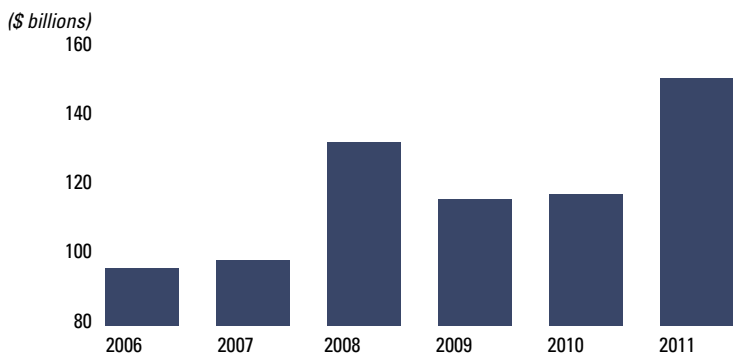
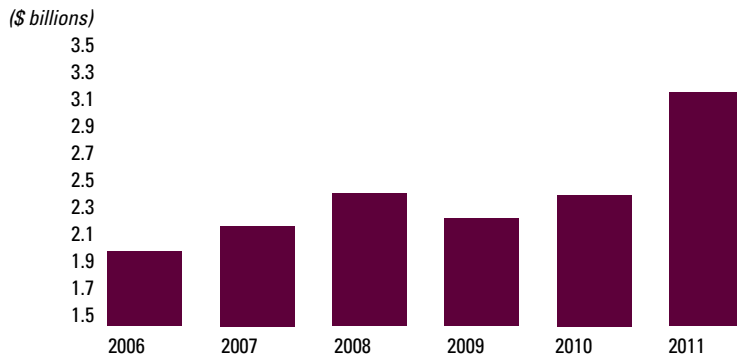


Figure 2—Net Income, Top 100 Ag Co-ops



grain/farm supply and farm supply cooperatives. Dairy and fruit and vegetable cooperatives had lower net margins compared to 2010. However, both groups still returned solid net margins in 2011 (\$339 million and \$467 million, respectively).

The asset base for the top 100 grew by \$9.6 billion between 2010 and 2011. Seventy-seven percent of the increase was due to mixed grain/farm supply and farm supply cooperatives. Total assets in 2011 were \$49.5 billion (table 2).

Current assets accounted for nearly 90 percent of that increase; the largest 100 cooperatives ended 2011 with \$32.6 billion in current assets. Mixed grain and farm supply cooperatives, which include some of the largest farmer cooperatives, accounted for 50 percent of total amount of current assets.

Fixed assets also showed an increase of \$934 million, pushing the total for the top 100 co-ops to \$10.7 billion.

Current liabilities increased by more than \$6.4 billion for the largest 100 ag co-ops. At the end of 2011, total current liabilities for the largest 100 ag co-ops were \$23.6 billion. Total liabilities increased by \$9.6 billion, ending the year at \$33.7 billion.

Equity allocated to members jumped 2 percent in 2011, to \$11 billion. Retained earnings also showed a substantial increase of 29 percent, ending the year at \$4.7 billion. Based on the combined balance sheet, it would appear that throughout the recession, cooperatives have relied more heavily on member financing than borrowed funds. However, looking at the average performance ratios shows a different result.

Table 3 illustrates the performance measures for the largest 100 ag co-ops. These ratios are the average values for all 100 co-ops. This provides a more accurate reflection of the performance for all the co-ops and is not influenced by the largest of the group. For example, the largest five co-ops represent 50 percent of total business volume. Therefore, they will have more influence on the combined values in table 1 and 2.

Debt-to-asset ratio rises

The debt-to-asset ratio illustrates what percentage of the businesses assets are financed by debt. In 2011, the ratio rose from 0.63 to 0.67. This shows that, on average, the largest ag co-ops are financing their assets with higher amounts of debt. Only the fruit/vegetable co-op sector had lower overall debt financing.

The current ratio provides a comparison of how a business' most liquid assets can cover its current liabilities. Between 2010 and 2011, the current ratio fell from 1.46 to 1.41. This would indicate that a majority of the co-ops were less liquid in 2011 than in 2010. The dairy and fruit/vegetable co-ops were the only sectors to have, on average, a higher current ratio in 2011.

Long-term debt and equity are generally used to finance

Figure 3—Sales Revenue of Cooperatives by Function, 2011

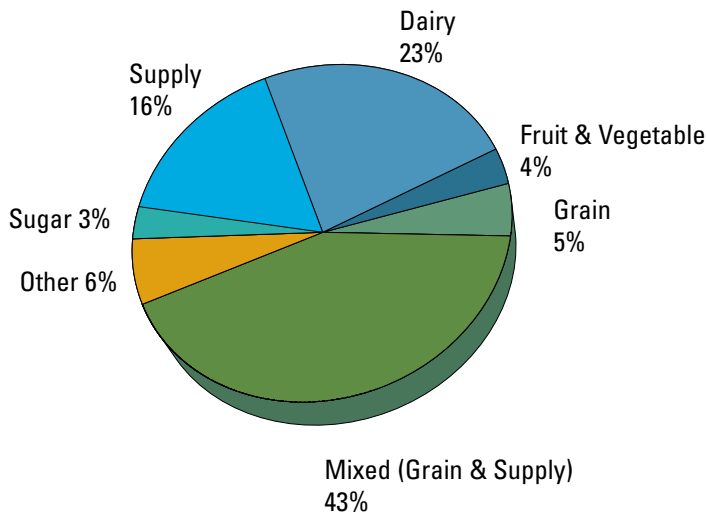
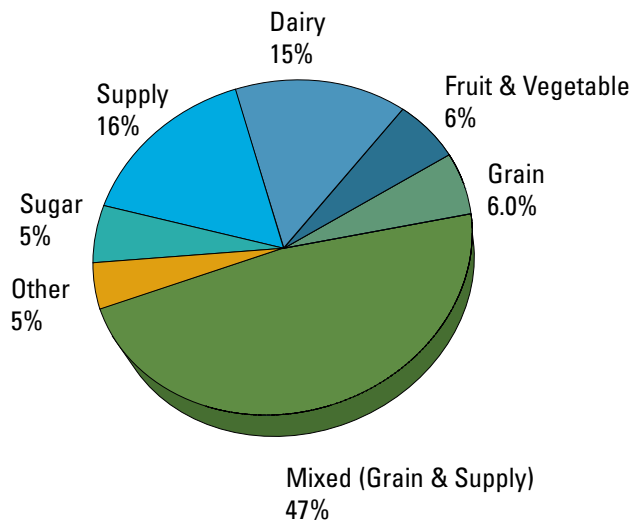


Figure 4—Assets of Cooperatives by Function, 2011



a business' long-term assets. The long-term debt-to-equity ratio focuses on this long-term financing. The ratio jumped from 0.66 in 2010 to 0.73 in 2011. The higher long-term debt financing was caused mostly by the dairy, mixed grain/farm supply and sugar co-op sectors.

More reliance on debt

Overall, the top 100 ag co-ops used more debt in 2011. Some sectors — such as grain, farm supply and the “other” sector co-ops — used relatively more short-term debt to finance operations while dairy, mixed and sugar co-ops relied more on long-term debt for financing. Fruit/vegetable co-ops were the only sector to lower the amount of debt used.

The times-interest-earned ratio shows how much a business can cover its interest expense on a pre-tax basis. The higher the ratio the better, as a low value could indicate trouble paying obligations. In 2011, the average value dropped from 17.4 times to 13.1 times. However, revenue before interest and taxes of 13.1 times more than interest expense is considered a strong position. All co-op sectors averaged interest coverage of over five times.

Efficiency ratios examine how well a business uses its assets in its operations. For example, fixed asset turnover measures the ability to generate sales from a business' fixed assets. While there is no standard ratio to compare, looking at the change over time helps. This ratio increased from 31.7 to 36.9.

As a general rule, those co-ops with high amounts of fixed capital, such as processing co-ops, will have a lower fixed-asset-turnover ratio than some of those that provide mostly marketing services.

Profitability ratios less key for co-ops

Profitability ratios are important for any business, as an unprofitable business will obviously soon be out of business. However, co-ops are in a unique position in that they try to operate as close to cost as possible. For

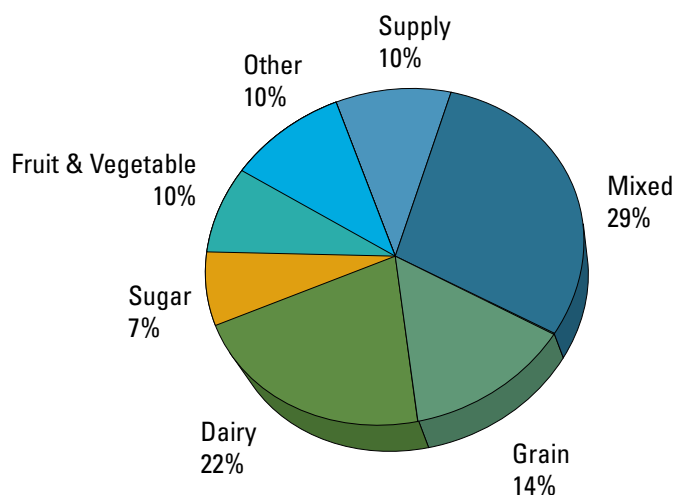
Table 1
Top 100 Ag Co-ops, Combined Operating Statement

Item	2011	2010	Difference	Change
 \$ billions			Percent
Total sales	147.59	113.60	34.00	29.9%
Cost of goods sold	<u>135.57</u>	<u>103.39</u>	<u>32.17</u>	<u>31.1%</u>
Gross margins	12.03	10.20	1.82	17.9%
Service revenue	1.42	1.68	-0.26	-15.4%
Wages	5.05	4.75	0.30	6.2%
Depreciation	1.22	1.15	0.08	6.7%
Interest expense	0.58	0.48	0.10	20.2%
Other expenses	<u>3.64</u>	<u>3.42</u>	<u>0.22</u>	<u>6.4%</u>
Total expenses	10.50	9.81	0.69	7.0%
Net operating margins	<u>2.95</u>	<u>2.08</u>	<u>0.87</u>	<u>42.1%</u>
Patronage refunds received	0.18	0.19	-0.01	-7.2%
Non-operating				
revenue/expenses	<u>0.23</u>	<u>0.24</u>	<u>-0.01</u>	<u>-3.1%</u>
Net margins before taxes	3.36	2.51	0.85	33.9%
Taxes	<u>0.19</u>	<u>0.16</u>	<u>0.03</u>	<u>20.9%</u>
Net margins	3.17	2.35	0.82	34.8%

Table 2
Top 100 Ag Co-ops, Combined Balance Sheet

Item	2011	2010	Difference	Change
 \$ billions			Percent
Current assets	32.56	23.84	8.72	36.6%
Investment in other co-ops	1.55	1.46	0.09	6.3%
Plant, property & equipment	10.69	9.76	0.93	9.6%
Other assets	<u>4.67</u>	<u>4.83</u>	<u>-0.16</u>	<u>-3.3%</u>
Total assets	49.47	39.89	9.59	24.0%
Current liabilities	23.65	17.20	6.45	37.5%
Long-term liabilities	<u>10.02</u>	<u>8.19</u>	<u>1.83</u>	<u>22.4%</u>
Total liabilities	33.67	25.39	8.28	32.6%
Allocated equity	11.06	10.83	0.23	2.1%
Retained earnings	<u>4.74</u>	<u>3.66</u>	<u>1.08</u>	<u>29.4%</u>
Total equity	15.80	14.49	1.31	9.0%
Total liabilities and equity	49.47	39.89	9.59	24.0%

Figure 5—Distribution of Cooperatives by Function, 2011



**Table 3
Combined Average Ratios, Top 100 Ag Co-ps**

Item	2011	2010
Current ratio	1.41	1.46
Debt to assets	0.67	0.63
Long-term debt-to-equity	0.73	0.66
Times interest earned	13.08	16.99
Fixed asset turnover	36.88	31.65
Gross profit margin	0.10	0.11
Net operating margin	0.02	0.02
Return on total assets	0.08	0.08
Return on member equity	0.17	0.19

example, gross margins will tend to be lower than for a non-cooperative business in the same field.

Between 2010 and 2011, the gross profit margin decreased slightly, from 11 to 10 percent. Net operating margins held steady at 2 percent during the two years. There was not much change between the co-op sectors for either of these two ratios.

Return on total assets measures business earnings before interest and taxes against its total net assets. The average return on total assets for the top 100 ag co-ops also remain steady at 8 percent. Farm supply co-ops had the highest returns at 12 percent while dairy co-ops had the lowest at 6 percent. All the other co-op sectors were around 7 percent in 2011.

Return on members' equity measures net earnings after taxes against total equity. This examines the returns to members. In 2011, the return on members' equity was 17 percent. This is down slightly from 2010 when it was at 19 percent.

About the tables and figures

In table 5, the rank, name, revenue and assets are given for the nation's 100 largest agricultural cooperatives. Information for the largest cooperatives has been segmented into seven function areas as defined in table 4. The functional areas (and the number of cooperatives in each

continued on page 50

**Table 4
Criteria used for sorting co-ops by segment**

Type of cooperative	Cooperative defined
<i>Supply</i>	Derive at least 75% of their total revenue from farm supply sales.
<i>Mixed</i>	Derive between 25% and 75% of total revenue from farm supply sales; remainder from marketing.
<i>Grain</i>	Derive at least 75% of total revenue from grain marketing.
<i>Dairy</i>	Market members' raw milk; some also manufacture products such as cheese and ice cream.
<i>Sugar</i>	Refine sugar beets and cane into sugar; market sugar and related by-products.
<i>Fruit and Vegetable</i>	Generally further process and market fruits or vegetables, rather than marketing raw products.
<i>Other</i>	Includes co-ops that market livestock, rice, cotton and nuts.

Table 5—Top 100 Largest Agriculture Cooperatives

Note: Names withheld by request for the cooperatives ranked: 7, 40 and 78.

2011 RANK	2010 RANK	NAME	TYPE	2011 REVENUE	2010 REVENUE	2011 ASSETS	2010 ASSETS
<i>\$ million</i>							
1	1	CHS Inc., Saint Paul, Minn.	Mixed (Energy, Supply, Food, Grain)	36,936	25,315	12,217	8,666
2	3	Dairy Farmers of America, Kansas City, Mo.	Dairy	12,924	9,872	2,295	2,165
3	2	Land O'Lakes, Inc., Saint Paul, Minn.	Mixed (Supply, Dairy, Food)	12,849	11,146	5,438	4,885
4	4	GROWMARK Inc., Bloomington, Ill.	Supply	8,742	6,154	2,631	1,876
5	5	Ag Processing Inc., Omaha, Neb.	Supply	4,372	3,302	1,332	1,187
6	6	California Dairies Inc., Artesia, Calif.	Dairy	3,657	2,963	809	676
7		Name withheld by request.					
8	8	United Sugars Corp., Bloomington, Minn.	Sugar	2,173	1,700	190	131
9	10	Northwest Dairy Association, Seattle, Wash.	Dairy	2,071	1,650	579	496
10	7	Associated Milk Producers Inc., New Ulm, Minn.	Dairy	1,979	1,709	324	288
11	13	United Suppliers Inc., Eldora, Iowa	Supply	1,949	1,387	887	662
12	25	Plains Cotton Cooperative Assoc., Lubbock, Texas	Other (Cotton)	1,843	1,008	265	187
13	14	Foremost Farms USA Cooperative, Baraboo, Wis.	Dairy	1,666	1,374	466	398
14	11	Ocean Spray Cranberries Inc., Lakeville-Middleboro, Mass.	Fruit & Vegetable	1,620	1,582	1,226	1,201
15	12	Prairie Farms Dairy Inc., Carlinville, Ill.	Dairy	1,612	1,518	715	684
16	20	Dairylea Cooperative Inc., Syracuse, N.Y.	Dairy	1,588	1,335	186	181
17	19	Countrysmark Cooperative Holding Corp., Indianapolis, Ind.	Supply	1,566	1,123	545	417
18	17	American Crystal Sugar Company, Moorhead, Minn.	Sugar	1,544	1,197	878	788
19	16	United Producers Inc., Columbus, Ohio	Other (Livestock)	1,473	1,204	40	38
20	23	South Dakota Wheat Growers Association, Aberdeen, S.D.	Mixed (Grain, Supply)	1,376	1,047	584	473

Table 5—Top 100 Largest Agriculture Cooperatives

2011 RANK	2010 RANK	NAME	TYPE	2011 REVENUE	2010 REVENUE	2011 ASSETS	2010 ASSETS
<i>\$ million</i>							
21	21	MFA Incorporated, Columbia, Mo.	Supply	1,366	1,051	408	358
22	15	Maryland & Virginia Milk Producers Co-op Assoc., Reston, Va.	Dairy	1,356	1,221	159	158
23	22	MFA Oil Company, Columbia, Mo.	Supply	1,307	1,047	381	338
24	27	Farmers Cooperative Co., Ames, Iowa	Mixed (Grain, Supply)	1,243	842	546	330
25	26	Producers Livestock Marketing Assoc. Omaha, Neb.	Other (Livestock)	1,153	908	115	122
26	18	Riceland Foods Inc., Stuttgart, Ark.	Other (Rice)	1,109	1,127	574	480
27	32	Co-Alliance, LLP, Avon, Ind.	Supply	1,042	767	382	255
28	44	Innovative Ag Services Co., Monticello, Iowa	Grain	1,028	610	250	117
29	24	Sunkist Growers Inc., Sherman Oaks, Calif.	Fruit & Vegetable	1,019	1,013	183	190
30	38	Staple Cotton Cooperative Assoc., Greenwood, Miss.	Other (Cotton)	963	658	354	278
31	34	Heartland Co-op, W. Des Moines, Iowa	Grain	962	710	483	199
32	30	Agri-Mark Inc., Methuen, Mass.	Dairy	899	782	316	268
33	43	Aurora Cooperative Elevator Co., Aurora, Neb.	Mixed (Grain, Supply)	892	614	427	325
34	33	Select Milk Producers Inc., Artesia, N.M.	Dairy	888	727	107	91
35	36	Lone Star Milk Producers, Windthorst, Texas	Dairy	879	688	97	64
36	28	Snake River Sugar Co., Boise, Idaho	Sugar	876	827	699	673
37	35	Michigan Milk Producers Assoc., Novi, Mich.	Dairy	871	699	167	161
38	42	United Dairymen of Arizona, Tempe, Ariz.	Dairy	830	615	131	110
39	31	Blue Diamond Growers, Sacramento, Calif.	Other (Nut)	825	775	297	276
40		Name withheld by request.					

Table 5—Top 100 Largest Agriculture Cooperatives

2011 RANK	2010 RANK	NAME	TYPE	2011 REVENUE	2010 REVENUE	2011 ASSETS	2010 ASSETS
<i>\$ million</i>							
41	46	Tennessee Farmers Cooperative, La Vergne, Tenn.	Supply	726	581	278	211
42	41	Upstate Niagara Cooperative Inc., Buffalo, N.Y.	Dairy	722	619	217	203
43	40	Cooperative Regions of Organic Producer Pools (CROPP), La Farge, Wis.	Dairy	716	620	180	160
44	45	Farmers Cooperative, Dorchester, Neb.	Mixed (Grain, Supply)	716	602	265	192
45	51	Trupointe Cooperative, Piqua, Ohio	Mixed (Grain, Supply)	713	512	229	168
46	39	Cooperative Producers Inc., Hastings, Neb.	Grain	695	639	361	241
47	53	Central Valley Ag Cooperative, O'Neil, Neb.	Mixed (Supply, Grain)	672	506	251	167
48	11	National Grape Co-operative Assoc. Inc., Westfield, N.Y.	Fruit & Vegetable	640	660	362	364
49	54	NEW Cooperative Inc., Fort Dodge, Iowa	Grain	637	498	257	173
50	57	United Farmers Cooperative, York, Neb.	Grain	633	450	213	156
51	47	Citrus World Inc. (Florida Natural Growers), Lake Wales, Fla.	Fruit & Vegetable	615	577	313	296
52	52	Equity Cooperative Livestock Sales Assoc., Baraboo, Wis.	Other (Livestock)	591	510	33	29
53	59	Heritage Cooperative, Inc., W. Mansfield, Ohio	Grain	583	443	170	114
54	59	Sunrise Cooperative Inc., Fremont, Ohio	Mixed (Grain, Supply)	577	432	224	151
55	55	NFO Inc., Ames, Iowa	Dairy	568	492	35	32
56	68	Watonwan Farm Service Co., Truman, Minn.	Mixed (Grain, Supply)	555	388	195	92
57	58	Michigan Sugar Co., Bay City, Mich.	Sugar	549	448	256	255
58	60	North Central Farmers Elevator, Ipswich, S. D.	Mixed (Grain, Supply)	529	442	201	137
59	56	Producers Rice Mill Inc., Stuttgart, Ark.	Other (Rice)	528	479	206	172
60	76	United Cooperative, Beaver Dam, Wis.	Supply	525	326	365	332

Table 5—Top 100 Largest Agriculture Cooperatives

2011 RANK	2010 RANK	NAME	TYPE	2011 REVENUE	2010 REVENUE	2011 ASSETS	2010 REVENUE
<i>\$ million</i>							
61	61	Southern Minnesota Beet Sugar Cooperative, Renville, Minn.	Sugar	510	440	360	319
62	50	Pacific Coast Producers, Lodi, Calif.	Fruit & Vegetable	502	516	304	301
63	85	Landmark Services Cooperative, Cottage Grove, Wis.	Mixed (Supply, Grain)	500	295	166	155
64	63	Tillamook County Creamery Association, Tillamook, Ore.	Dairy	479	426	295	264
65	67	First District Assoc., Litchfield, Minn.	Dairy	477	391	95	87
66	73	Key Cooperative, Roland, Iowa	Mixed (Supply, Grain)	474	350	116	110
67	48	Farmers Grain Terminal Inc., Greenville, Miss.	Grain	473	306	174	116
68	65	Alabama Farmers Cooperative Inc., Decatur, Ala.	Grain	463	415	232	198
69	49	West Central Cooperative, Ralston, Iowa	Mixed (Grain, Supply)	445	520	381	250
70	83	Premier Cooperative Inc., Champaign, Ill.	Grain	444	308	153	99
71	129	Carolinas Cotton Growers Cooperative Inc., Garner, N.C.	Other (Cotton)	435	210	181	123
72	64	Frenchman Valley Farmers Cooperative Inc., Imperial, Neb.	Mixed (Supply, Grain)	432	419	287	153
73	77	Western Consolidated Cooperatives, Holloway, Minn.	Mixed (Grain, Supply)	431	343	199	201
74	75	River Valley Cooperative, Davenport, Iowa	Mixed (Grain, Supply)	424	346	155	84
75	102	Alliance Grain Co. Gibson City, Ill.	Grain	405	274	112	60
76	92	Western Sugar Cooperative, Denver, Colo.	Sugar	401	383	230	197
77	74	Swiss Valley Farms Cooperative, Davenport, Iowa	Dairy	397	347	119	115
78		Name withheld by request.					
79	105	Farmers Cooperative Society, Sioux Center, Iowa	Mixed (Grain, Supply)	394	167	182	127
80	104	Five Star Cooperative, New Hampton, Iowa	Mixed (Grain, Supply)	391	271	153	57

Table 5—Top 100 Largest Agriculture Cooperatives

2011 RANK	2010 RANK	NAME	TYPE	2011 REVENUE	2010 REVENUE	2011 ASSETS	2010 ASSETS
<i>\$ million</i>							
81	86	Frontier Cooperative Inc., Brainard, Neb.	Mixed (Grain, Supply)	389	294	167	121
82	106	New Vision Cooperative, Brewster, Minn.	Mixed (Grain, Supply)	387	266	125	89
83	78	Harvest Land Co-op, Richmond, Ind.	Mixed (Supply, Grain)	387	342	163	134
84	114	Horizon Resources, Williston, N.D.	Mixed (Supply, Grain)	385	245	116	103
85	131	Calcot Ltd., Bakersfield, Calif.	Other (Cotton)	385	206	133	123
86	79	Ray-Carroll County Grain Growers Inc., Richmond, Mo.	Grain	381	332	103	90
87	71	Meadowland Farmers Cooperative, Lamberton, Minn.	Mixed (Grain, Supply)	381	357	179	129
88	96	Gold-Eagle Cooperative, Goldfield, Iowa	Mixed (Supply,Grain)	375	281	96	92
89	69	Tree Top Inc., Selah, Wash.	Fruit & Vegetable	371	365	292	277
90	134	Clifford Farmers Co-op Elevator Co., Clifford, N.D.	Mixed (Grain, Supply)	370	196	76	58
91	90	Ag Valley Cooperative Non-Stock, Edison, Neb.	Grain	369	307	237	126
92	100	Bongards Creameries, Bongards, Minn.	Dairy	367	339	91	70
93	88	Saint Albans Cooperative Creamery Inc., St. Albans, Vt.	Dairy	361	293	34	31
94	93	The Garden City Co-op Inc., Garden City, Kan.	Mixed (Grain, Supply)	360	285	110	103
95	112	Farmers Cooperative Elevator Co., Hanley Falls, Minn.	Mixed (Grain, Supply)	359	249	160	159
96	70	NORPAC Foods Inc., Stayton , Ore.	Fruit & Vegetable	356	359	249	247
97	80	Sun-Maid Growers of California, Kingsburg, Calif.	Fruit & Vegetable	352	323	178	168
98	116	Minn-Dak Farmers Cooperative, Whapeton, Minn.	Sugar	346	242	230	197
99	121	Western Iowa Cooperative, Hornick, Iowa	Mixed (Grain, Supply)	339	233	114	105
100	101	Producers Livestock Marketing Assoc., North Salt Lake, Utah	Other (Livestock)	338	275	43	34

Management Tip

Thoughtful succession planning keeps families farming for generations



"You hate to think about it, but you need to plan [for the transfer of your estate]," says Lee Watson, far left. He is in the process of transferring shares in the family farming corporation to the family of his son, Dusten (right). Photo courtesy Farm Credit. Larry and Jenny Black (below, right) hope that their children will someday take over the citrus operation. Although decades away from retirement, they are doing estate planning now. Photo by Ron O'Connor, courtesy Farm Credit

By Andrew Zenk

Editor's note: Andrew Zenk is an AgCountry Farm Credit Services agribusiness consultant specializing in succession and retirement planning.



About 96 percent of U.S. farms are run by families, farmer partnerships or cooperatives, but as many as 89 percent of farmers don't have a farm-transfer plan, according to USDA. That's a staggering number, and producers such as Lee Watson, a corn, bean and wheat farmer in Bellevue,

Ohio, are doing something about it. Watson, who has worked with Ag Credit ACA for 19 years, is transitioning his farming operation to his son, Dusten, with a detailed succession plan.

"You hate to think about it, but you need to plan," Watson says. "So about three years ago, we started passing shares of our farming corporation to Dusten." The goal is to have at least half of the shares transferred by the time the elder Watson retires.

A succession plan provides an important opportunity to carefully protect a family's hard-earned investment. This requires planning,



open lines of communication and discipline. Family operations that incorporate the following five practices into their planning set themselves up for success for generations to come:

1. BUILD good habits through education: solid business plans lead to effective succession plans.

It is never too early to begin planning. Producers should already be managing and planning for short- and mid-term operational and financial goals, which lay the foundation for a solid succession plan. There are many resources that help young and beginning producers network and learn the business side of agriculture.

Even the most seasoned producers can benefit from programs that address current market situations. Building good habits early will help to preserve

Peace River in the family. The family is a member of Farm Credit of Central Florida, and Peace River is a customer-member of CoBank, another Farm Credit entity. Two years ago, The Blacks were honored with the Young Farmer and Rancher of the Year Award from the Florida Farm Bureau, recognizing their successful farming operation and Larry's extensive community and industry involvement.

"I'm in constant pursuit of improving my farming operation and moving in a positive direction," Larry says, "and I hope that my young children will also become farmers someday."

2. PREPARE to be a multi-generational farm before your transition is complete.

While many families have long

innovation as two generations of Carters work together on the family's 200 acres in Georgia. Jake started bringing new ideas to the farm soon after college. He started a "pick-your-own" strawberries, blueberries and blackberries operation and opened the farm for agri-tourism in 2005, a business that has grown to host several thousand visitors in a single weekend. In addition to hosting a petting zoo, bike track and corn cannon, the Carters create an intricate corn maze each year.

3. MAKE open, frequent communication a priority.

It is often hard for people to separate their family from their business partner, and communication within a family can be difficult regardless of a business relationship. Open communication about this reality and agreeing upon a workable communication strategy are important in the planning process.

Paul Rovey, owner and operator of a 2,000-cow dairy farm in Glendale, Ariz., says his farm is all about family. He works the farm with his five children and took over the farm from his father when he graduated from college in 1978. "I've grown the operation from 200 cows to 2,000. I owe this success to my family; I wouldn't be here without them."

4. PLAN for the "what ifs" in life and your operation.

You need a plan that provides a road-map in the event of a death, disability, departure and other possibilities life may bring. Having a mutual agreement on an action plan for these "what ifs" is crucial to succession of the farm.

Generally, these are handled with an estate plan for all involved and a collective agreement that is consistent with the personal estate plan. The contents of these plans are unique to every family, and consulting with a professional is a must.

5. LOOK to the experts for guidance.

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Jimmy Carter, with son Jake, operate their thriving Georgia farm as a multi-generational family-farm enterprise. Photo courtesy Farm Credit

your operation for the next generation and maximize the contributions of the current and previous generations.

Larry and Jenny Black, fifth-generation citrus growers and member-owners of Peace River Packing, a citrus growing and fresh fruit packing/marketing cooperative, are decades away from retirement, but they already appreciate the value of keeping

envisioned a time when they pass the family operation down to their sons or daughters, making sufficient income to enable younger generations to join the family business before one generation retires is a challenge for many.

Jimmy Carter, a sixth-generation farmer and owner of Southern Belle, and his son Jake, are thriving today by embracing diversification and

A large, dark, rusted metal gear from a vintage cultivator is the central focus, positioned diagonally across the frame. A vibrant rainbow arcs across the sky behind the gear, creating a sense of hope and promise. The background shows a soft-focus landscape of rolling green hills under a hazy sky.

CO-OP MONTH SPECIAL SECTION

Gearing Up the Co-op Economy

A rainbow that seems to arc around the height-adjuster gear of a vintage cultivator symbolizes the promise of a new crop of farmer co-ops. The photo was taken by Laurie Childs at Harlequin Organics Farm near Dixon, Mont. At the time, she was a driver for Western Montana Growers Cooperative and was farming part time.

“Cooperative Enterprises Build a Better World” is the theme of 2012 International Year of Cooperatives, as designated by the United Nations. With October also being Cooperative Month, it provides twice as much reason for celebrating the many benefits that producer- and user-owned cooperatives confer to their members. As U.S. Agriculture Secretary Tom Vilsack notes in his proclamation of Co-op Month (see page 2), in America alone, more than 130 million Americans are members of a cooperative. These range from co-ops with many thousands of members (a few of which are listed on the Fortune 500), to tiny co-ops serving the needs of a dozen or fewer members. All that matters is that people have a common need that can be best met through group action.

On the following pages, some of the nation’s co-op development centers provide a glimpse at new and emerging co-ops and co-op endeavors that are helping still more people to help themselves with cooperative businesses.

Northwest co-ops forge new links for local foods

By Meredith Rafferty, Northwest Co-op Development Center



Montana is known for its big, open spaces. “It is the place we call home, and we love it,” says Karl Sutton, program manager of the Mission Mountain Food Enterprise Center, a division of Lake County Community Development in Ronan, Mont. “But it is a challenge to link any one farm to consumers when the distances are so great.”

Co-ownership in a cooperative is a way to aggregate volume, increase capabilities and share costs, Sutton explains. “There is value added, not only value in the sense of dollars, but also in the value of the relationships that connect us all.”

The value of cooperatives to their communities and to each other is the theme of a Northwest regional conference to be held October 5-6 in Seattle. The conference, “Cultivating

NW Co-ops: Celebrating Our Food Community,” will take a six-state/regional look at co-ops and their impacts upon communities and food systems.

Every year, October is recognized as Cooperative Month and this year, as a special observance, 2012 has been designated the International Year of the Cooperative by the United Nations. “It’s timely to consider how cooperative business models contribute to our local and regional food systems,” explains Diane Gasaway, executive director of the Northwest Cooperative Development Center (NWCDC), a co-host of the conference. “The regional conference in Seattle will highlight cooperatives in many lines of business that form the links between farm and table. Cooperatives that market and distribute, provide financing and operate retail stores will be

participating.

“The conference itself is an example of collaboration,” Gasaway continues. The co-hosts are the cooperative development centers based in Washington, Alaska and Montana, along with CDS Consulting Co-op. The conference’s broad-based steering committee and sponsors include many successful cooperatives.

Montana schools reap benefits of co-op

Karl Sutton says the Western Montana Growers Cooperative is benefiting schools with deliveries of local produce. The cooperative was established to increase the scale of production of fresh produce in the area through aggregation, marketing and distribution, he explains.

In a unique collaboration with Montana’s Lake County Development



Steve Dagger and Jane Kile check on crops produced for Western Montana Growers Cooperative. Kile, a founding member, was the driving force behind the launch of the co-op 10 years ago. She died three years ago, but the co-op continues to market the crops of its members. Photo by Marti de Alva.

Center, the cooperative now has access to a produce- and meat-processing facility and is delivering local foods to four schools and the University of Montana campus through the USDA Fresh Fruit and Vegetable program. The cooperative had gross sales of \$750,000 in 2011.

The entire process from farm to consumer is a value-added chain, explains Sutton. Carrots from the field need to be cleaned and transported. When supplied to schools, they also need to be cut, packaged and delivered in refrigerated trucks.

Without the processing step provided through the cooperative agreement between Mission Mountain Food Enterprise Center and Western Montana Growers Cooperative, the processing link to the schools would not exist. “Schools in our region do not have the equipment and labor to slice



The Ashland Food Co-op (AFC) serves 8,000 members in southern Oregon. Photo courtesy AFC

carrots or peel and cube a winter squash.” The processing step adds value. “It brings healthy, fresh food to the schools, retains dollars in our communities and connects people to place,” says Sutton.

Cooperation among co-ops magnifies values

Other links in the value-added chain are member-owned food co-ops that

have forged new relationships with local farms to put local products on their grocery shelves. An example is Ashland Food Co-op, which for 40 years has emphasized wholesome foods in its full-service grocery co-op.

This 8,000 member co-op business in southern Oregon is known for its certified organic produce and products. “Yes, our co-op is a business,” says Annie Hoy, outreach manager for the

co-op. “But it is a business based on our values. The values in our mission statement led us into the community in support of local farmers and local products.

“For our type of food cooperatives,” Hoy continues, “there is always outreach to members to support them in their knowledge of healthy food and healthy living. We realize our place in the community and actively support local farmers and local foods.

“We also work hand-in-hand with other cooperatives in this area,” Hoy adds, pointing to a close relationship with the Rogue Federal Credit Union, Grange Co-op, Medford Food Co-op and Siskiyou Sustainable Cooperative in the Rogue Valley of Oregon. These

relationships bring mutual support to the Rogue Valley local food system. Together with Ashland Food Co-op, these cooperatives employ 600 people with a total payroll and benefits of \$25 million.

“One of the principles of cooperatives is sharing information and supporting each other,” says Hoy, adding that these co-ops are working together across business sectors. “This is all about living our values as owners and members of cooperatives.”

Co-ops are an important link in the local food chain. According to a recent study by the National Cooperative Grocers Association, the average food cooperative purchases from 157 local farmers and food producers; locally

sourced products make up an average of 20 percent of co-op grocery sales. The study, *Healthy Foods, Healthy Communities: The Social and Economic Impacts of Food Co-ops*, also found that for every \$1,000 shoppers spend at their local food co-op, \$1,604 in economic activity is generated in their local economy.

Cooperatives are making a difference to local foods and food systems through their values. For cooperatives worldwide, it’s a difference worth celebrating during International Year of the Cooperative, and every year.

For more information about the NWDC, contact Meredith Rafferty at (360) 943-4241, or visit: www.NWDC.coop. ■

Montana’s small-scale poultry growers struggle to find economic way to process, market birds

By Karl Sutton, Program Manager, Mission Mountain Food Enterprise Center, a division of Lake County Community Development



Small, mobile processing units have proven to be useful in helping small-scale poultry and livestock producers

meet the needs of local markets in a number of areas around the nation. But in western Montana, a concerted effort over several years to employ this strategy has yet to gain economic viability, due to a number of reasons.

Still, producers here hope that with additional steps, they will be able to “grow their businesses” and help meet the rising public demand for home-grown poultry.

Co-op formed to spearhead effort

The Montana Poultry Grower’s Cooperative (MPGC) was incorporated in 2006 to provide Montana’s small-scale poultry producers a way to



Demand is growing for pasture-raised poultry, such as these turkeys being raised by a member of the Montana Poultry Growers Cooperative (MPGC), which was formed in 2006. Photos courtesy MPGC

collaborate to meet their processing and marketing needs. MPGC provides its 18 members with access to two types of mobile poultry processing infrastructure:

- Two small-scale pluckers and

scalders, and

- One state-licensed mobile processing unit (MPU), comprised of a truck and trailer.

In addition to the processing equipment, the cooperative organizes education workshops on heritage breeds of poultry, pasture-raised poultry production methods and safe, efficient poultry processing practices.

The formation of MPGC followed on the heels of strategic research and legislative work conducted by the Grow Montana Coalition, formed in 2004. Grow Montana is a broad-based food and agriculture policy coalition with a common purpose of promoting community economic development policies that support sustainable Montana-owned food production, processing and distribution. The ultimate goal is to improve access to Montana-produced foods.

Prior to 2004, Montana's regulatory statutes did not recognize mobile processing units, nor did the statutes place such units under any regulatory agency. Grow Montana successfully promoted the passage of HB-484 in 2004, which gives the Montana Department of Livestock the authority to inspect mobile processing units.

Between 2004 and 2006, a steering committee comprised of small-scale poultry producers began developing MPGC's business framework, leading to the start of poultry processing using small-scale equipment.

In 2006, Mission Mountain Food Enterprise and Cooperative Development Center (MMFEC) — a division of Lake County Community Development Corporation in Ronan, Mont. — supported a professional research report on appropriate mobile processing technology for Montana's small-scale, pastured-poultry producers. The resulting report — "Mobile Processing: Appropriate Technology for Pastured Poultry Producers" — was written by University of Montana graduate student Sarah Stokes. It made use of case studies, surveys and interviews to evaluate the status of Montana's pastured-poultry industry, the market potential for pasture-raised poultry in western Montana and the processing and regulatory barriers that were hindering producers from meeting the market demand.

The poultry producers surveyed for the report were classified as "micro-scale" producers, meaning they raise fewer than 1,000 birds per year. These producers had no legal method of accessing potential markets because Montana did not recognize the Federal 1,000 Bird Limit Exemption that allows farmers to slaughter and market fewer than 1,000 birds directly from the farm to the consumer. Many of these farmers were selling on-farm, live birds to sidestep Montana's laws.

Despite a clear demand for pasture-raised poultry, the state's lack of recognition of the 1,000-bird



A mobile poultry processing unit is available to co-op members, but more volume will be needed to cover all operation costs.

exemption and lack of state-inspected processing facilities presented significant barriers to producers' ability to access farmer markets and retail grocery stores.

Market parameters identified

Based on evaluations of MPUs in New York, Washington and Kentucky, the university report surmised that MPUs in Montana would only be feasible if there was an adequate base of producers with operations scaled to match processing unit capacities and that were located within one to two hours of the processing unit's home base.

The university researcher offered three recommendations to help Montana's small-scale poultry industry move forward:

1. Amend Montana rules, or pass new legislation, to allow a 1,000-bird exemption for on-farm poultry slaughter and direct sales to customers;
2. Obtain more small-scale processing equipment that could be

located closer to cooperative members; and

3. Develop a state-inspected MPU for poultry.

On the heels of this research, MPGC members — with support from MMFEC, the Alternative Energy Resources Organization, and Farms for Families — began developing Montana's first (and currently only) MPU. MPGC's pioneering work involved designing and building the MPU and developing a user/processing manual that enabled producers to meet regulatory requirements of Hazard Analysis Critical Control Points (HACCP) and Standard Sanitary Operating Procedures (SSOP). It also delivered a producer training program that prepared MPGC members to process high-quality, safe poultry.

By the spring of 2009, the state's first MPU had been inspected and licensed by the Montana Department of Livestock, in accordance with the federal 20,000-bird limit exemption. In accordance with the 20,000 bird limit

exemption, the slaughter facility is regularly inspected, although an inspector does not need to be onsite at the time of processing. This exemption allows farmers to sell at farmers markets and into wholesale markets.

More volume needed

Under-utilization of the MPU has been a critical concern for MPGC. Without sufficient revenue generated from leasing the MPU at the price of \$1.75 per bird processed, the cooperative has struggled to cover the costs of insurance and maintenance of the infrastructure.

Last January, MPGC members were surveyed to evaluate how effective the MPU was in helping them to grow their businesses. According to the final report, 14 of 18 MPGC producers raise meat birds, with an average flock size of 175 birds. Only one producer raises

more than 1,000 birds. Ten out of 14 producers are using the small-scale plucking and scalding equipment while only four use the licensed MPU. Of the four producers using the MPU, only two are marketing their birds to commercial markets while the other two are marketing direct to individual customers.

The 2012 report surmises that MPGC producers have not grown their operations due to:

- Continued regulatory challenges (i.e., Montana still does not recognize the federal 1,000-bird exemption, so MPU producers must obtain licenses from both the Montana Department of Livestock and the Montana Department of Public Health and Human Services);
- The distance they must travel to retrieve the MPU are too great for some producers;

- High feed costs; and
- Lack of technical support (especially for breed selection for pasture-poultry and efficient range production techniques).

These findings corroborate Stokes' 2006 report.

Montana needs a two-tiered system that meets the needs of producers who raise fewer than 1,000 birds. The 2012 report surmises that if Montana recognized the federal 1,000-bird exemption, micro-level producers could then legally sell on their farms and grow their businesses.

Only for producers close to reaching the threshold of 1,000 birds will the MPU become an appropriate resource. At that point, regionally located, state-inspected facilities that reduce the drive time for producers could enable Montana poultry growers to capture the markets for pastured poultry. ■

Colorado launches health insurance co-op

By Bill Stevenson, Director, Rocky Mountain Farmers Union, Cooperative Development Center



The recent birth of the Colorado Health Insurance Cooperative includes a number of very important lessons

for future health insurance co-op developers, and perhaps for those working on other types of co-op development projects. Our experience with the project suggests that the following attributes among the core initial working group are critical:

- A passion for co-ops (of course!);
- An abiding commitment to rural health care;
- Comprehensive health insurance and health care experience and knowledge;
- Strong connections in the health care field built on lasting trust.

In a nutshell, all you have to do is

find some really smart, passionate folks who know everybody and who are willing to work for free!

New law opens door for more health co-ops

The federal Patient Protection and Affordable Care Act (ACA) was passed in 2010 after much debate. ACA authorizes the establishment of nonprofit, private Consumer Operated and Oriented Plans (CO-OPs) for health insurance under a start-up loan program administered by the U.S. Department of Health and Human Services (HHS).

In the spring of 2011, at an informational meeting sponsored by the health care community in Denver regarding CO-OPs, the Rocky Mountain Farmers Union Foundation (RMFU) sensed an

exciting opportunity to make a positive difference for health care in the rural Rocky Mountain West. This was a challenging problem we had been working on for decades. RMFU has been advocating for family farmers and ranchers and their communities for more than 100 years and is a strong believer in cooperatives.

Discussions were held among RMFU staff with extensive experience in rural health care, social issues and cooperative development. These talks focused on one issue in particular: Can a CO-OP realistically serve only rural health care needs in Colorado and Wyoming?

Those discussions led RMFU to invite a number of potential partners to the table, with such skills as: expertise in Colorado rural health issues; third-



Board members of the Colorado Health Insurance Cooperative hope their experience launching their new co-op will be helpful to others considering a similar cooperative. Photo courtesy Rocky Mountain Farmers Union

party health insurance administrator capabilities, health foundation expertise and funding, and business savvy in cooperative formation and operations.

Working group launched

A working group was formed in the fall of 2011, with a chairperson and at least some formality to its proceedings. This group considered adding technical expertise and identified the next steps necessary to build the health insurance co-op, including involvement of other institutions and funding sources.

In the finest cooperative development tradition, a decision was made that a feasibility study with the seeds for a business plan was needed. This plan would need to determine if this co-op idea could work; if so, all the “how, what, who and when” questions would have to be addressed.

We were very fortunate in that members of our working group had deep connections in the health care industry, which led us to other individuals with expertise and even more connections who offered their help. This led to an important gathering last February of “interested persons” with a variety of specialties who wanted to be kept informed and involved.

The resources the working group was gathering were truly impressive by any measure within the Colorado health insurance, health care and rural advocacy communities.

The cost of the feasibility study (which included the costs for actuary and statistical knowledge, as well as an analysis of provider networks, claims processes and general administration and legal issues) was estimated at more than \$100,000. A budget was established by interviewing four actuary candidates and reviewing their cost estimates, as well as securing cost estimates for statistical work and the services of a third-party administrator.

Fundraising then began, ultimately yielding generous commitments from the Colorado Health Foundation and USDA to sponsor the feasibility study.

Preparing for HHS loan application

With the feasibility study underway, the working group began to plan for the co-op’s HHS loan application, which was due in April, 2012. But what would the feasibility study reveal?

The results finally arrived, with the important revelation that the health insurance co-op was viable and could be

rural in focus. But the study also said a co-op must include urban, as well as rural, residents to ensure the number of members necessary for the company to survive and thrive.

By March the time had come for the health insurance co-op to incorporate as the Colorado Health Insurance Cooperative Inc., a Colorado nonprofit cooperative, with RMFU as the co-op’s sole member (until it actually begins issuing policies). Five directors were selected for the board: a former rural healthcare expert in government, a prominent cooperative lawyer and developer, a former Colorado state insurance commissioner and state auditor, a former health insurance company CEO, and a former rural healthcare administrator.

The co-op also needed to develop working relationships with Colorado’s Division of Insurance. In early April, the co-op applied for about \$69 million in start-up and solvency loans from HHS. The voluminous application effort was led by the co-op’s interim, third-party administrator and actuary. The need for technical savvy at this point was paramount.

As we waited for the HHS decision-making process to unfold, the co-op

began to plan for the start-up, with a highly qualified interim CEO hired (based on some strong recommendations) who performed much of the detail work at no charge.

Interview preparation pays off

In mid-May, the first hurdle was cleared when the co-op leaders flew to Washington, D.C., to be interviewed about the loan application at the offices of business consultant Deloitte, HHS's counselor in the selection process. All five directors participated, along with the co-op's interim third-party administrator, actuary and CEO. The interview went extremely well, thanks to the group's careful listening to the expectations that Deloitte laid out for them, as well as thorough preparation (both in Denver and upon their arrival in Washington the day before the interview). The expertise of the co-op's interim third-party administrator, actuary and CEO also proved invaluable during the interview.

By mid-June we had achieved success. HHS notified the co-op board president that the co-op had been accepted for ACA's CO-OP loan program, subject to successful "negotiation" of loan particulars. (The basic loan terms — such as interest rates and repayment requirements — were non-negotiable, while others, such

as business plan milestones, needed further discussion or clarification.)

Just a short time later, the U.S. Supreme Court ruled in favor of ACA's constitutionality, and in late July the co-op's loan documents were signed, the transaction closed and the award was made public.

Permanent staff hired

The board expanded to seven in May, with the addition of a rural hospital administrator and the administrator of a rural, Federally Qualified Health Center. By mid-August, the board and the interim CEO (now being paid) hired a human resources consultant, a project manager, a legal counsel, a regulatory-compliance specialist, an accounting firm and a public relations firm. All were hired as independent contractors.

Interviews were also begun for a full-time CEO (six candidates passed the initial review and a CEO was hired in September). Job descriptions were drafted and posted for the co-op's chief financial officer, regulatory compliance officer and director of consumer services (all considered senior staff positions).

Meanwhile, RMFU was planning to hire at least two outreach/education staff members, to assist in the essential community organizing, grassroots work

necessary to promote and develop the co-op throughout Colorado.

The co-op will begin marketing policies in the fall of 2013, with the first effective date Jan. 1, 2014.

Hard work, but co-op has huge potential

This process shows that there is an incredible amount of work to do when starting an insurance company. But with health care such a critical issue for so many rural Americans, it is an effort that has to be made in more places.

To reiterate the themes mentioned at the start of this article, the co-op's success has depended on enlisting the help of amazing people with a unique variety of interests, all of whom have a passion for helping people through cooperative businesses. They also all have an abiding commitment to improving rural health care, and experience and knowledge of health insurance and health care issues. They also had strong connections built on lasting trust.

In short, they are really smart, passionate people who know everybody in the health care field and are willing to work for free!

With that as a base, those who dream of dramatically changing the health insurance world for the better really can succeed. ■

Iowa State students team with co-ops to develop new businesses

By Carly Cummings, Program Assistant, Iowa State University



The Iowa Alliance for Cooperative Business Development (IACBD) and the Agricultural Entrepreneurship Initiative (AgEI) have developed an experience-based learning program for Iowa State University students, giving

them the opportunity to work with Iowa's rural cooperatives.

The program, funded through a Rural Cooperative Development Grant from USDA Rural Development, is designed to team students and faculty with cooperatives to develop new businesses in rural areas.

Cooperatives are major drivers of economic development in rural areas and are positioned to help entrepreneurs. This program combines the energy of university students, the technical knowledge of faculty and the business resources of established cooperatives to create new businesses.

Pushing business concepts to the front burner

“The thought behind our program is that managers at rural cooperatives have business development projects that often are difficult to move off the back burner,” says Kevin Kimle, director of the AgEI at Iowa State. “Some of those projects can be moved forward by students and faculty, teamed with managers from cooperatives.”

The program started in 2011 with three interns working at Farmers Cooperative Co. in Afton, Iowa. The students conducted market research and financial analysis and reviewed engineering processes for a new feed business the cooperative wanted to develop.

“With the high price of corn and alfalfa, farmers are looking for alternative sources of energy and fiber in their feed rations,” says Randy Pettit, Farmers Cooperative feed manager. “Developing a product at a lower cost is what the market is demanding.”

The three interns, all students in the College of Agriculture and Life Sciences at Iowa State, completed a plan for the new business.

In 2012, the AgEI and the IACBD placed another three interns with Heartland Cooperative in central Iowa. Their objective was to develop a logistics model and business plan for Heartland’s fertilizer business. Marc Melhus, Heartland vice president of operations, served as the project lead.

“The purpose of this project was to compare and determine the best way for Heartland to provide custom fertilizer application services to our customers by looking at the two distinct models we currently employ,” explains Melhus. “The students were challenged with exploring the economics of each model and to consider the other factors involved in consolidating the two models into one.”

Conducting market research

After being briefed on the company’s



These Iowa State University students have gained real-world experience in what it takes to run a successful cooperative. Touring a Farmers Cooperative Co. warehouse are student interns (from left): Nicole Jennett, Erica Lundy and Casey Clemens. Photo by Ronda Driskill

goals and objectives for this project, the students conducted market research and financial analysis and made location visits to familiarize themselves with the fertilizer market and Heartland’s business structure.

Throughout the summer, the students collaborated with Iowa State faculty members Bobby Martens and Georgeanne Artz to evaluate the efficiencies of alternative facility strategies. Many factors were built into the analysis, including travel distances, building maintenance, fertilizer prices and custom application costs. The interns were challenged with evaluating each of these factors and combining them to determine the optimal business model for Heartland’s fertilizer business.

“The students gave us the jump-start the organization needed to pursue the best decision for further developing our

fertilizer business,” says Melhus. “It was also a great way for students to participate in a high-impact business development project at a cooperative.”

The program’s continuing goal is to partner with Iowa cooperatives and generate rural economic impact. The public/private partnership model creates valuable opportunities for participating cooperatives as well as the students and faculty from Iowa State.

For more information on this program, contact Stacey Noe, program coordinator, at 515-294-4945, or: snoe@iastate.edu.

The IACBD is a USDA Rural Cooperative Development Center located at Iowa State that focuses on applied research and agricultural cooperative development. The AgEI provides training and guidance to students for the development of high-growth agricultural businesses. ■

Central Kentucky Growers helps members transition from tobacco to vegetables

By Kara Keeton

Editor's note: Keeton is a Kentucky-based writer who produced this article on behalf of the Kentucky Center for Agriculture and Rural Development.

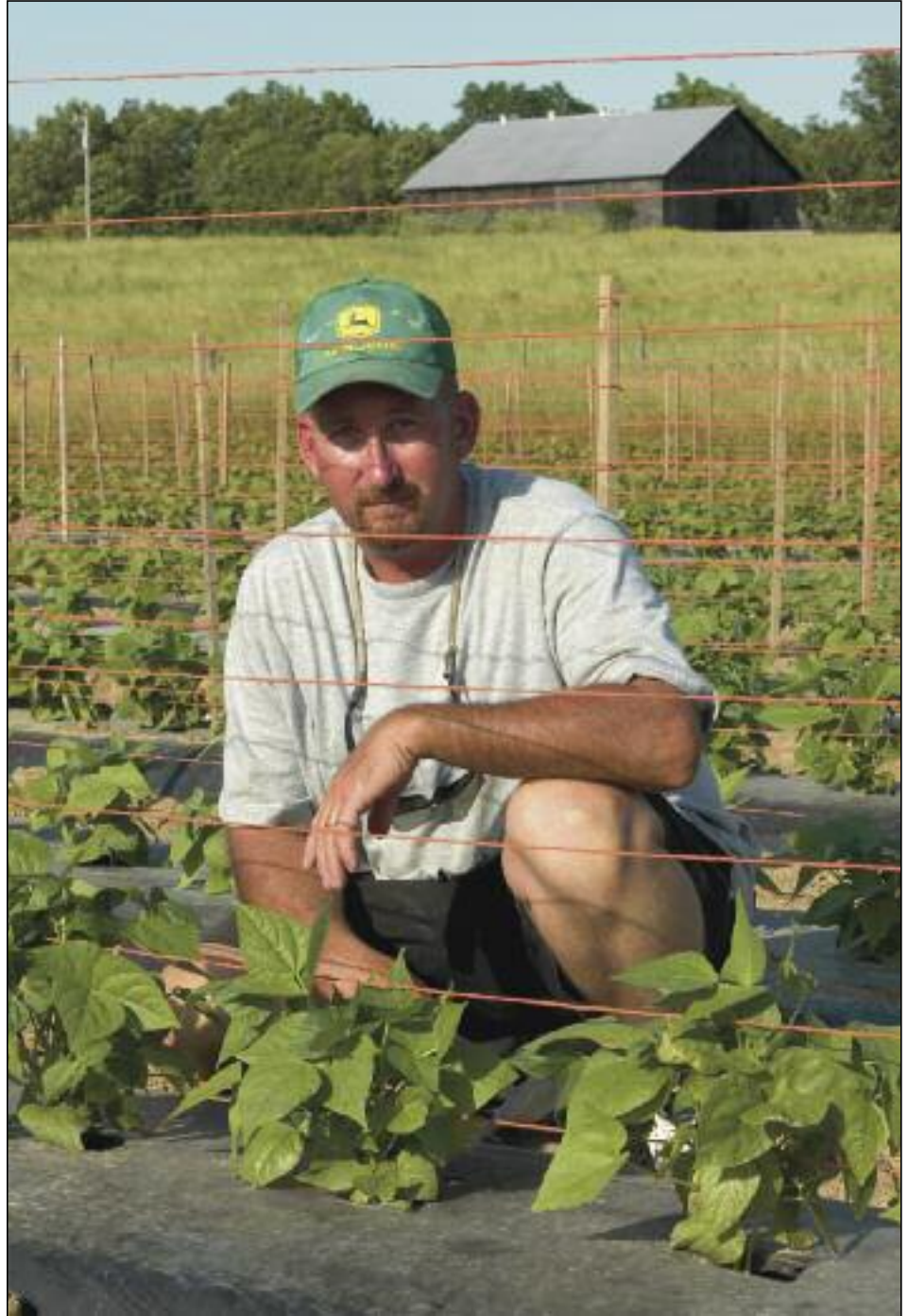
Central Kentucky Growers Association (CKGA) began in 1998 as a vegetable marketing cooperative when a small group of growers decided to diversify away from tobacco, which had been a mainstay on farms in the area. The new focus of their efforts was on horticulture production.

"I began growing pumpkins for the co-op in '98 or '99, I believe," says Kevan Evans, owner of Evans Orchard. "I had already begun transitioning away from tobacco into vegetable and fruit production, selling at farmers markets and from a small farm market. Becoming a member of the co-op gave me another marketing option to expand my horticulture production before we really started to grow our agri-tourism business: Evans Orchard."

The co-op became a key marketing outlet for current CKGA president, Zeldon Angel. He began producing horticulture products as he saw the change looming for Kentucky's tobacco industry. As a co-op member, Angel has worked closely with the management to help identify new marketing opportunities for the co-op.

"Over the years, we have tried almost every marketing approach that exists," says Angel. "Some have worked, and others haven't. But we have always been open to hear new ideas."

Currently CKGA is working with Castellini and Cabbage Inc. to market



"Between the determination and willingness to sacrifice on our [members'] part, and KCARD's dedication to work with us, we were able to pull out of the red," says Zeldon Angel, president of the Central Kentucky Growers Association (CKGA). Photo courtesy CKGA

co-op products. The primary crops for CKGA are cucumbers and peppers — which can be packaged across the processing line at its facility — but it has also had success with green beans and producing cabbage under contract for Cabbage Inc., a fresh produce company based in Sheffield Lake, Ohio.

“In the early years our members had to step up financially to get the co-op going,” explains Angel. “Over the years, we have seen that level of financial commitment from our members and the community. It has been that determination that kept us going even when other co-ops were closing the doors.”

Seed money helps co-op expand

In 2001, CKGA received a boost when it was awarded nearly \$500,000 in Kentucky Agricultural Development Funds for the purchase of equipment and market development. These funds allowed CKGA to work with more growers and buyers.

Soon, the growing co-op was in need of another expansion. In 2003, the group received an additional \$300,000 to update a production line, expand to year-round marketing, and to meet the needs of new and existing growers.

Evans admits that the funds from the Ag Development Board (ADB) were critical to the early development and growth of CKGA. But serving as current secretary and one-time president of the co-op, Evans also recognizes that there were challenges the group faced in those early years with inexperienced members, production problems, retaining buyers and general management issues that needed more than just money to fix.

“One of our biggest issues was the tobacco mentality,” said Angel. “The thought was that if we grow it, there is a market for it; but it is not that way in the vegetable business.”

Evans and Angel both point to CKGA’s involvement with the Kentucky Center for Agriculture and Rural

Development (KCARD) as the key factor to helping the organization overcome the challenges along the way.

“In 2005, we were struggling with several issues at the co-op and went back to the Ag Development Board for funding assistance; we received about \$121,000 as a forgivable loan to stabilize management and purchase necessary equipment,” explained Angel. “Yet, what made the difference with this round of funding was that we began



Butch Case is vice president and a long-time member of CKGA, which was launched in 1998 to help tobacco growers switch to vegetable and fruit crops.

working with Larry Snell [KCARD executive director] and KCARD to get a handle on financials.”

Angel explains that working with KCARD helped the CKGA board of directors realize what needed to be done each year to make accurate projections about how to run the business. They followed KCARD’s recommendation and brought in an outside company in 2006 to run the business for a year to give them ideas on management.

“When we began working with KCARD, we were in the red. But Larry Snell and the staff just kept working with us on what we needed to do on the financial side to get a better handle on

things and to make accurate projections so we could pull enough out to balance the budget,” says Angel. “Between the determination and willingness to sacrifice on our members’ part and KCARD’s dedication to work with us, we were able to pull out of the red.”

Strong working relationship with KCARD

Since that experience, the co-op has continued to work with KCARD periodically to review finances, policies and general management. Recently, the group had to turn to KCARD once again as it met with the Agriculture Development Board to review the terms of the forgivable loan.

“If we hadn’t worked with KCARD during this evaluation of our agreement with ADB, then the deal probably wouldn’t have gotten done,” Angel says. “KCARD’s knowledge of the industry and the fact that they were working with us to address the terms of the agreement brought to the table a level of credibility that helped us to achieve a workable agreement.”

“The major strength of CKGA is the leadership and unwavering commitment of its board of directors over the years,” says Snell. “They are determined that the cooperative will succeed and provide a reliable market for commercial vegetable growers in Central Kentucky.”

Angel realizes there will continue to be challenges for CKGA. This year the major challenge has been the weather. Dry, hot conditions have made it difficult for the group to produce quality products to take to the market. But he believes that the commitment to the CKGA remains.

“As much hard work as we have all put into the co-op, I hope we are still going strong in five to ten years,” says Angel. “We want to make it self-sustaining and keep it going. It will work, but we just need to find a few more growers who are willing to make the sacrifices to produce a quality product for the market.” ■

Public garden latest addition at resident-owned community in Maine



The community garden at the Medomak Mobile Home Cooperative has helped improve the diets of members with more fresh produce.

Editor's note: This is a condensed and slightly adapted version of an article by Shlomit Auciello that was originally published in the Aug. 16, 2012 edition of The Lincoln County News. It is reprinted here with permission.

The Cooperative Development Institute (CDI) (www.cdi.coop) is the Northeast's center for cooperative business education, training and technical assistance. It has been serving New England and New York since 1995. This year, CDI formed a partnership with the Genesis Fund to bring more resident-owned cooperative development to the state of Maine.

"We look forward to helping more resident-owners build communities and take control of their circumstances," says Noemi Giszpenc, CDI executive director. "When co-ops pay attention to their members' needs and leverage their collective resources, they can become the seedbed of new cooperative activities that benefit their owners and the community."

he story of Medomak Mobile Home



Cooperative illustrates that when residents gain control over their shared land, they are able to mobilize greater trust and care, which can translate into such tangible benefits as affordable local food and better maintained homes and grounds. This in turn makes the park a desirable place to live, ensuring lower turnover and quicker filling of vacancies — which benefits the co-op's bottom line.

When the board of the 32-unit Medomak Mobile Home Cooperative in Waldoboro, Maine, heard a suggestion last summer to create a community garden, treasurer Linda Norwood took action.

Norwood, who has lived at the park since 1995, went next door to the Hannaford supermarket to research the cost of a salad, pricing the lettuce, tomatoes, cucumbers and onions. When she compared the result against what it

would cost to grow the vegetables at home, she asked the board for support.

With the help of the Genesis Fund, which had supported the park's conversion to a co-op in 2006, and contributions from businesses and individuals, co-op members built six raised plant beds. They filled them with soil, planted seeds and seedlings, and learned how to use organic methods.

The project was just one of many ways the co-op works to build a close-knit community. Last year, members worked side-by-side with volunteers on repair projects to improve the safety of individual homes. In addition, residents host work days approximately once a month to maintain the grounds, clear abandoned home sites and make improvements to common facilities.

"There's tremendous community building," says Liza Fleming-Ives, associate director of the Genesis Community Loan Fund. At the end of a work day, residents gather for a community meal.

"People live busy lives," Fleming-Ives says. "Many in the park work multiple jobs, all kinds of shifts, have young children or are elderly." In spite of the efforts residents undergo just to make ends meet and take care of basic responsibilities, they work hard to meet the challenges of community living, she says.

Norwood says the formation of a cooperative has meant that residents take a greater interest in the well-being of their neighbors.

"Since the co-op has taken over, there's been a big change," says John

Flaherty, a veteran who serves as cooperative president and has lived at Medomak since 1996.

Gardens help residents help each other

“Most of the people in this park are on low- and fixed-incomes,” Norwood says. “Many are on food stamps (SNAP). I wondered how they would eat if prices kept going up.”

She sited the garden on land that is too wet for mobile homes, and sought donations of money, lumber and plants. She used the cash to buy tomato cages, sticks, twine, chicken wire and marigolds.

“Everything else has been donated, and happily donated,” she says.

Seedlings came from a local garden center, along with more advice and support. A signboard, next to the plant beds, lists 17 sponsors who helped make the gardens a reality.

“They grew like you couldn’t believe,” Flaherty says. Next year the community hopes to have 18 raised beds. He says he plans to have two beds next year, so that he can grow food to give away to his neighbors.

“I’m happy just sitting on a stool with a jar of mayonnaise and a loaf of bread in the cucumber patch,” says



Co-op members use this sign by the community garden to thank their sponsors. Seen here are Linda Norwood, co-op treasurer, and John Flaherty, co-op president. Photos by Shlomit Auciello

Norwood, who is now head of the Garden Committee.

When Flaherty was hospitalized, early in the summer, Norwood and other neighbors kept an eye on his house and watered his garden. For his part, Flaherty brings a daily basket of cherry tomatoes to a couple who do not have a garden. Norwood says that is

representative of changes in the community since residents took over ownership.

“Here, we care about everybody. Everybody owns this now. People take care of what they own. That’s what this is all about,” Flaherty said. ■

Feed mill seen as key to success of Amish dairy farms

By Debbie Trocha, Executive Director, Indiana Cooperative Development Center



One of the major limiting factors on growth of the nation’s organic dairy and livestock industries is the

availability of quality organic feeds at an affordable price. That’s why a new co-op of dairy farmers in northern Indiana is pursuing the purchase of an organic feed mill to help ensure the future

viability of their farms and communities.

Co-op seen as vital for community

The Indiana Cooperative Development Center (ICDC) was contacted in early 2011 by Wisconsin-based Organic Valley — the nation’s largest organic cooperative — and asked

to assist a group of 80 organic milk producers in northern Indiana form a cooperative to purchase a local organic feed mill in Wolcottville, Ind. The farmers are also members of Organic Valley.

Most of these producers have small organic farms with fewer than 50 dairy cows. The majority of the milk producers belong to the local Amish

community, a group which usually prefers to avoid public exposure.

Their leaders are mostly elders of the community (although there are also some younger producers in their 30s rising to leadership positions) and they typically do business on a handshake agreement, which can be problematic in today's business world.

Social responsibility is more than a buzz word for the Amish — it's a way of life for them. They are thus developing the cooperative for "the community" — not only for their community, but for their neighbors as well. They look at the organic model as the best way to keep their small farms profitable and sustainable.

An initial two-day meeting of all interested parties was held in late March 2011. A five-member executive committee was formed, and funds were committed for initial expenses for the formation of a cooperative.

Future linked to reliable feed supply

These milk producers were concerned about their ability to obtain a reliable supply of high-quality organic livestock feed and supplies — with a degree of price stability — for themselves and for future generations. The Wolcottville Organic Feed Mill is



a major source of organic feed for their dairy herds. The continued operation of the mill is thus viewed as key to the expansion of the area's organic dairy/livestock industry and the profitability of producers.

Following the initial meeting, ICDC staff worked with the co-op organizing committee to explore the possibility of purchasing the Wolcottville Organic Feed Mill. ICDC staff helped the steering committee review and understand the financial statements of the existing mill operation and to identify a firm that could provide a fair appraisal of the mill's value.

An attorney experienced in co-op law was identified, and ICDC staff assisted in the development of the co-op's articles of incorporation and bylaws.

By 2012, the steering committee was meeting every two weeks to complete the co-op organizational documents. In April 2012, the cooperative — the W.O.L.F. (Wolcottville Organic Livestock Feed) Cooperative — was registered with the Indiana Secretary of State, and its first board was elected.

Because a number of producers in Michigan are interested in becoming members of the cooperative, incorporation in Michigan is also being considered.

Equity drive meets goal

Membership documents were then developed and the equity drive began in mid-summer. It took only a few weeks for the co-op to reach more than 50 percent of its goal of raising \$250,000. The directors have established a goal of having a 50-percent equity stake prior to the purchase of the mill.

ICDC provided training in July for the board to ensure that members understood their fiduciary responsibilities to the co-op.

As of this writing, in early September, the co-op expects to purchase the feed mill by the first of the year, helping to ensure the future viability of organic dairy production among this community of farmers.

"Our producer-members knew they wanted to form a cooperative from the beginning," says Dan Mosgaller, regional coordinator for Organic Valley. "Without the assistance from the Indiana Cooperative Development Center, W.O.L.F. Cooperative would not be at this stage of development." ■

Amish dairy farmers in Indiana have formed a co-op to pursue the purchase of an organic feed mill. Most Amish farmers, such as this one in Pennsylvania, rely on horses or mules to work their crops. USDA photo by Dan Campbell



Nebraska town striving to recover from loss of grocery store

By Amanda Lynne Bergstrom, Graduate Assistant, Nebraska Cooperative Development Center



The loss of a grocery store in a rural community can be a devastating blow, especially when it is the only, or at least major, source of local groceries. Not only do people then have to travel farther and expend more time and money to get their groceries, but it can also be a serious blow to community pride and make it harder to attract new residents and businesses.

When the only grocery store in Elwood, Neb., closed last January, community leaders quickly responded, organizing a community meeting the next month to consider opening a cooperatively owned grocery store. The meeting attracted more than 100 people, almost all of whom felt that a grocery store was vital to the future of the community.

Following the meeting, community leaders developed and distributed a survey to gauge interest in opening a co-op grocery store, which revealed widespread support for the concept. A committed, hard-working steering committee was then formed to pursue the project.

This steering committee formed sub-committees that focused on facilities, business and finance issues, and incorporation options. Expert advice was sought from a local attorney, insurance agents, former store owners, neighboring stores and managers of grain co-ops in nearby towns (one grain co-op also owned a grocery store). Ideas were also sought from cooperative accountants, area economic developers and grocery suppliers.

A financial plan was developed for remodeling the store, and more community-wide meetings have been held, showing that there continues to be



The number of farmers markets in Nebraska has doubled during the past 10 years, leading to the formation of the Farmers' Market Association. Photo courtesy Nebraska Co-op Development Center

widespread support for opening a new grocery store.

The cooperative was incorporated in May as the Elwood Hometown Cooperative Market. The board of directors is conducting a membership drive. If the drive is successful, the former store location will be purchased and remodeled, with operations anticipated to begin before the end of year.

The Nebraska Cooperative Development Center (NCDC) provided the outline for this process, a spreadsheet for the financials, referrals for attorneys and guidance for each committee. It has been working hand in hand with the steering committee each step of the way.

Farmers' Market Association

The Farmers' Market Association was proposed in 2010 as a way of creating a network that would connect Nebraska farmers markets and managers. The need for such an organization was underscored by a doubling in the number of farmers markets in Nebraska during the past 10 years.

NCDC hosted an exploratory meeting in central Nebraska, inviting all farmers' market managers from across the state. The meeting explored the potential of a statewide association and the kinds of programs and services an association could provide its members. These services could include: consumer education; group marketing opportunities; assistance with funding (such as grants and

fundraising); market manager training; statewide networking; and how to accept SNAP (food stamp) benefits, and debit and credit cards for payment at farmers markets.

A steering committee was formed and has continued to meet regularly to plan an organizational structure that could be a model for a future association. The committee successfully applied for a Specialty Crop Block Grant from USDA this year to improve food safety in Nebraska's farmers' markets. In partnership with the University of Nebraska-Lincoln, a series of GAP (Good Agricultural Practices) workshops were held across the state for vendors and market managers. Market managers were provided with food safety tool kits which included educational materials for market customers and marketing ideas.

NCDC awarded the committee a small grant in 2012 to assist it with paying incorporation legal fees, membership recruitment and annual meeting planning. It is anticipated that the committee will complete its work

and formally organize the association sometime this fall.

Co-op Business Assessment and Evaluation Program

As cooperatively owned businesses develop and implement their business plans, many return to NCDC in their second through fifth years of operation, seeking assistance in taking another step forward in development of their business. These co-ops, which typically have accomplished their initial goals, have encountered obstacles and identified opportunities for further business development.

NCDC has now developed a formal business assessment and evaluation tool for use with cooperatively or mutually owned companies in Nebraska. It is based on the model developed by the

Kentucky Center for Agriculture and Rural Development (KCARD).

The “Nebraska model” for cooperative business assessment was tested in 2011, and the program was implemented in 2012. The business assessment program is called CoBAsE (Cooperative Business Assessment and Evaluation). It is a fee-for-service program from NCDC.

One such study was completed in 2012 for a co-op that began business in 2005, and NCDC has also assisted two other groups, formally and informally, under the program.

The business assessment program normally consists of:

- Initial meetings with board and critical partners;
- Interviews with the board and employees, cooperative members,

business partners and resource providers;

- Review of several years of financial statements;
- Review of past business plans, ideas and studies;
- Review of marketing materials, website and social media use;
- Review of physical facilities and processes;
- Review of past and current feasibility studies.

Following the formal report of the findings to the board, NCDC provides a list of recommended “action steps” as well as a timeline for action. As a part of its “normal” work process, NCDC will continue to work with CoBAsE clients for follow-up of business development and growth. ■

Jersey shellfish co-op well situated for growth

By Cathy Smith, Peggy Fogarty-Harnish

***Editor’s note:** Smith is executive director at the Keystone Development Center in York, Pa.; Fogarty-Harnish is a co-op development consultant at Keystone. The authors thank Gef Flimlin, professor and marine extension agent with Rutgers Cooperative Extension, for his assistance. For more information about Keystone, contact: smith@kdc.coop.*



One of the Keystone Development Center’s most exciting new projects involves oyster and clam growers in New Jersey. This group is employing state-of-the-art technology to raise oysters and clams in a controlled environment — first in laboratory settings, then in coastal waters and in Delaware Bay, leased from the state of New Jersey.

Shellfish are spawned in New Jersey hatcheries, where they are fed specially

grown phytoplankton and nurtured until they are large enough to be nourished on bay water in land-based nurseries. After that, the clams (8 to 15 millimeters in size) are planted on the bay bottom and covered with ¼-inch plastic mesh, where they remain until ready for harvest in about two to three years.

The oysters go through a similar land-based rearing process, but are grown in heavy mesh bags, which are usually raised off the bay bottom, until they reach market size in two years. Constant cleaning and management of the



Shellfish grower Charlie Cummings directs a jet of water as he cleans his new crop of clams. Co-op members also raise oysters in New Jersey coastal waters and Delaware Bay. Photos courtesy Keystone Development Center

crop is necessary to reduce mortality from predation or bio-fouling, caused by seaweeds. (Author's note: this description is a simplified version of the process).

A major competitive advantage for the New Jersey shellfish growers is the proximity of their production areas to roughly 40 percent of the U.S. population along the New York-Washington D.C. corridor, which also contains eight of the nation's top 10 counties for median income.



A co-op member's oyster hatchery near Atlantic City, N.J.

Keystone Development Center (KDC) is helping the group to cooperatively develop its market through a variety of strategies. Rutgers Cooperative Extension of Ocean County (Marine Extension), the New Jersey Sea Grant Consortium and the New Jersey Department of Agriculture are KDC's partners in the development of the shellfish cooperative.

Shellfish farming creates environmental benefits

A growing body of scientific information is documenting the environmental benefits of shellfish farming. These benefits include: marine habitat creation; removal of excessive amounts of nutrients from water; carbon sequestration; shoreline and bottom stabilization; reduction in the impact of waves on coastal areas; and

more productive natural shellfish beds. Shellfish farmers pay permit and lease fees for the privilege of conferring these benefits to the public through the course of producing their product. There has been discussion aimed at generating revenue for shellfish growers in exchange for the environmental benefits that result from shellfish production. The growers hope that a valid strategy is to leverage these environmental benefits toward the goal of generating a greater connection with

customers who value local food production. Access to new markets and price premiums is a positive business outcome of forging these local food connections.

Eight to 10 clam growers and 12 oyster growers in New Jersey have begun the process of developing a marketing, purchasing and shared-services cooperative for their products. KDC is currently assisting the group with a logistics study for locating a shellfish aggregation center. KDC is also assisting its partners in the development of a

survey that would gauge production volume and is examining the existing infrastructure and potential markets available to producers.

The current transportation and distribution assets of shellfish growers are predominantly built to serve conventional sales to wholesalers in coastal and shore-oriented retail outlets, which are highly seasonal. One of their goals is to expand their year-round markets.

Forging links with food co-ops

In the next year, KDC will continue to assist the group with logistical plans for siting aggregation points, identifying area markets and developing transportation plans for efficient marketing. This includes connecting shellfish producers with food cooperatives in the area — a primary goal for the group.

The growers identified the development of effective, direct-marketing strategies that emphasize the local aspect of farm-raised shellfish as their most significant marketing challenge. Emphasis on local food production is, likewise, a viable strategy for shellfish growers in other regions. Currently, more than 85 percent of the seafood consumed in the United States is imported, so the market is open for local products.

The MidAtlantic Alliance of Cooperatives (MAFCA) is being used as one resource to help develop the connections to food cooperatives. MAFCA, in its third year of operation, is a network of food cooperatives in the Mid-Atlantic area. KDC has been instrumental in the formation of the organization and continues to support this important organization.

MAFCA currently has 22 member cooperatives and has identified an additional 20 potential members. Within this group are 10 start-up operations, most of which KDC has been advising.

The food cooperative members have an estimated total membership of nearly 39,000 individuals or households. Current aggregate gross sales are more than \$100 million, not including the projected sales of the start-ups.

MAFCA estimates that its members are already purchasing more than \$16 million annually in local products. Representatives of the shellfish group have met with several food cooperatives in the area through MAFCA, and the response has been very positive.

“Through this project, our members would have improved access to local seafood, as well as the knowledge that we are contributing to a sustainable, local, cooperative economy,” says Sue Wasserkrug, an MAFCA board member. “This project would be an important component in expanding access to local shellfish for thousands of families in the Mid-Atlantic region, while ensuring the vibrancy of the coastal New Jersey economy.” ■

The Scircleville Grain and Fertilizer hub in Indiana is part of Co-Alliance LLP, a joint venture of five cooperatives. Photo courtesy Co-Alliance LLP.



Use of joint ventures by ag co-ops on rise

By Bruce J. Reynolds Ag Economist
USDA Rural Development

Joint ventures and subsidiaries offer alternative ways for cooperatives to test market opportunities or to gain expertise about new industries without having to build a new division within their organizations. In some cases, providing a new service may involve such large economies of size that sharing costs in a joint venture produces substantial savings.

The types of businesses that cooperatives establish as joint ventures are examined in a recent research report, *Joint Ventures and Subsidiaries of Agricultural Cooperatives*, Research Report 226, available for download from USDA at: www.rurdev.usda.gov/BCP_Coop_RRs.htm; or, for a free

hard copy, send e-mail to: coopinfo@wdc.usda.gov. This article is based on that report.

Survey methodology

The collection of data for this report combined a mail survey with follow-up by telephone of cooperatives that reported involvement in joint ventures. The 185 co-ops reported having 108 wholly-owned subsidiaries and 209 joint ventures.

The follow-up by telephone interviews identified the names of the joint ventures, enabling the elimination of any duplicate reporting of joint ventures. In addition, details on the types of businesses that cooperatives organized in joint ventures were obtained; the same information was not collected for wholly-owned subsidiaries. The distribution of different types of businesses for joint ventures is

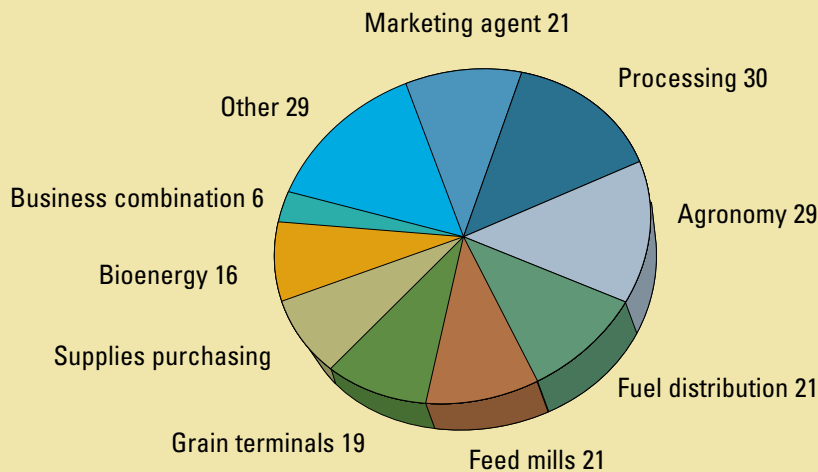
presented in the pie chart.

Several distinctive developments are identified in the report, of which three are highlighted in this article: the prevalence of the Limited Liability Company (LLC) as a legal form for organizing, using joint ventures to combine all business operations of separately owned partners and the strategy of spawning new businesses.

Use of Limited Liability Companies (LLC)

Cooperatives have established subsidiaries and participated in joint ventures over many decades, but the availability of the LLC as a legal form of organizing during the mid-1990s significantly increased their number. In a survey from 2010/2011, agricultural cooperatives reported participation in 240 LLCs, of which 172 were joint ventures. A corporation was the second

Joint ventures by type of business operation



most used form, followed by limited liability partnerships.

A 1975 study of cooperatives involved in food marketing and processing identified 22 joint ventures, as compared to almost 100 federated cooperatives in operation at that time. Comparing those findings with the results of USDA latest research suggests that the LLC form of organization is being used in many cases as a substitute for incorporating as a federated cooperative.

Many cooperatives have joint ventures that include non-cooperatives. Although a federated cooperative can be established with non-cooperatives, it is more common today to have joint ventures instead. The 1975 study identified six joint ventures with both cooperatives and non-cooperatives out of a total of 22 such businesses. By contrast, the recent study showed that there were 83 joint ventures that included non-cooperatives partners out of 175 joint ventures that reported partner information.

The availability of organizing as an LLC may not only increase the frequency of joint ventures but also

accommodates more of them between cooperatives and non-cooperatives. Of course, other market forces have also played a part in increasing the participation of cooperatives with non-cooperatives in joint ventures since 1975.

Most of the joint venture activity with agricultural cooperatives did not involve numerous partners (more than 20). Joint ventures with 7 to 20 agricultural cooperatives as members were mostly organized for purchasing supplies, obtaining regulatory compliance services or sharing marketing agents.

The survey identified 17 farm supply purchasing joint ventures, with one organized as a cooperative and the other 16 as LLCs. By contrast, there are several examples of purchasing cooperatives organized by non-agricultural small businesses (as reported in USDA's Cooperative Information Report 63). They mostly operate nationwide, with memberships well in excess of 100.

Examples include Imark, which purchases supplies for electrical equipment distributors, and Carpet

One, with a large membership of store owners who retail carpet and floor products.

Organizing large memberships in cooperatives rather than in LLCs may have advantages for empowering a board of directors. Delegating decision-making authority to a small board of directors in a cooperative is sanctioned by incorporation statutes. Granting such authority to a few partners in an LLC with a large membership may involve more complex legal provisions.

Business combinations

Since the early 1990s, there have been several instances of neighboring cooperatives combining a division, such as their agronomy units, into a single operating unit. These joint actions are often precursors to mergers of the cooperatives. A recent development for some local grain and farm supply cooperatives is to form joint ventures with similar businesses that combine all operations into an LLC operating entity with one trade name. In these cases, there is no plan for a future merger. Instead, each cooperative functions as a holding company for the

joint venture and retains its separate membership for distributing patronage dividends.

The survey identified six joint ventures that combine all grain marketing and farm supply services under one trade name. Four of these ventures include cooperatives partnering with one non-cooperative from different multi-national agribusiness companies.

When operating with non-cooperatives under a new trade name, cooperative identity may be diminished or lost for future generations of farmers. Two of these business-combination joint ventures exclusively have cooperatives as partners and promote cooperative principles to their members.

Business spawning

In contrast to combining business operations of two or more cooperatives, joint ventures can also be organized for

entering businesses in which the partners have not had previous involvement. One form of this type of development is called “spawning,” which refers to a business that helps others start up a new activity that it does not want to exclusively own and operate within its organizational structure.

The survey identified a few examples of spawning. Large regional cooperatives participate in some joint ventures for facilitating direct involvement and ownership by local cooperatives in new businesses. For example, several feed milling joint ventures involved a large regional cooperative working in joint ownership with local cooperatives.

There were also examples of rural electric cooperatives participating in propane distribution joint ventures with farm supply cooperatives to assist in the start-up of those businesses. The rural electric co-ops eventually left the joint

ventures once these propane businesses were firmly established. Apart from joint venture partnering to spawn businesses, utility cooperatives also have a role in helping USDA Rural Development implement renewable energy programs and new enterprises.

Working together

USDA Cooperative Programs’ Research Report 226 updates the current status of cooperative involvement in joint ventures and subsidiaries. It reports a variety of different types of businesses where cooperatives have identified advantages of lower costs and better performance by working with others.

As cooperatives represent farmers and ranchers working together, this research shows that they can extend the same idea in forming joint ventures with other cooperatives and businesses. ■

NEW
From USDA

Joint Ventures and Subsidiaries of Agricultural Cooperatives

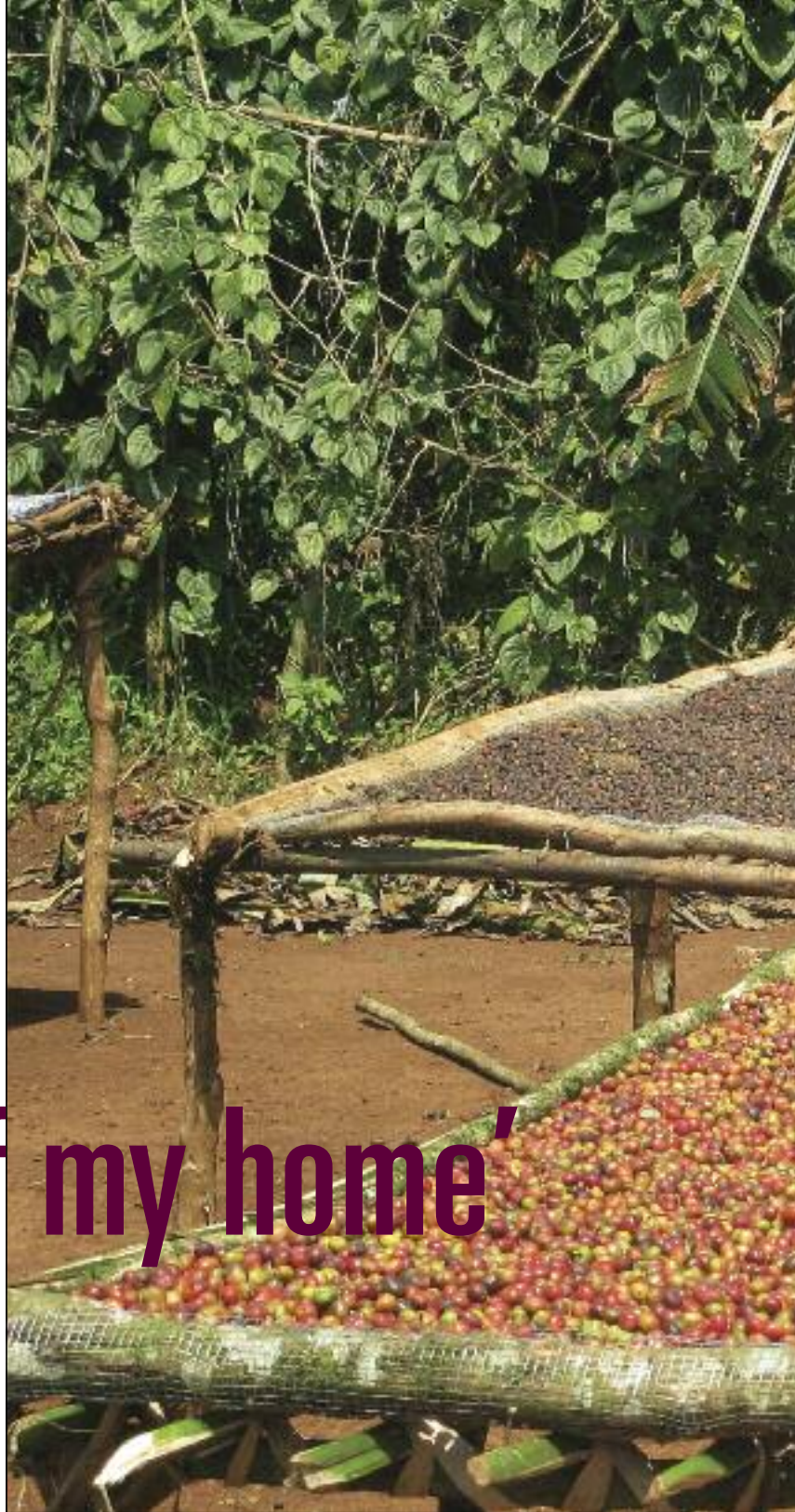
Many co-ops, including high-value marketing associations, regional grain/farm supply, and large dairy cooperatives, have established joint business ventures and subsidiaries to increase efficiency and volume. Anticipated advantages include sharing expertise, reducing costs, and improving market access. Has this approach worked, and might it be right for your co-op? Find out with this report.

Get Research Report 226 at:
www.rurdev.usda.gov/rbs/pub/newpub.htm

Or fill out below and fax to: (202) 690-4083.

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It has been a long, bumpy road for members of the Ferro Cooperative in Ethiopia, seen here sorting and drying their crop. But the co-op is helping growers earn a better return for their coffee. Photos courtesy ACDI/VOCA



'The pillar of my home'

Coffee co-ops brew better quality of life for Ethiopian farm families

By Anja Tranovich

Editor's note: Anja Tranovich is editor and media relations senior specialist for ACDI/VOCA, a nonprofit organization promoting economic and cooperative development around the world. ACDI/VOCA has worked in 145 countries since 1963 implementing projects funded by USDA, the U.S. Agency for International Development (USAID), ACDI/VOCA member cooperatives and farm credit banks, the Bill & Melinda Gates Foundation and others.



In 2005, the Ferro coffee cooperative in Ethiopia accomplished a remarkable feat: its Shirkina, dry-processed coffee was designated as a Starbucks' Black Apron exclusive coffee. It was only the eighth coffee in the world to receive the designation.

Starbucks introduced the Black Apron label in 2004 to

designate "rare, exotic and cherished coffees...that represent Starbucks' expertise in coffee and dedication to the farmers who grow the finest beans."

The Seattle coffee giant has worked closely with the co-op, buying the first year's crop even when it ultimately had to be thrown away due to problems during the sun-drying process. But the second year's harvest produced an

“Without cooperatives, Ethiopian coffee growers would be out of the market.”



Ethiopia, considered to be the birthplace of coffee, is regaining its reputation as a producer of premium coffee beans, seen here being dried.

extraordinary, limited-issue coffee that Starbucks marketed with great success. The company also provided a \$15,000 grant to the Ferro co-op's community and extended \$5 million in financing through a nonprofit associate, EcoLogic Finance.

For the co-op members, it had been a long, bumpy path from Ferro's small "backyard coffee gardens" to upscale coffee shops in the West, glowing reviews and a rarefied retail price of \$26 per pound.

World's 2nd most valuable commodity

Much is at stake in the global coffee market. Coffee is the

world's second most valuable commodity, trailing only petroleum. Today, most coffee lovers don't blink at the premium prices fetched by Ethiopian specialty-roast coffee in high-end shops. But it wasn't always that way.

Ethiopia, the birthplace of coffee, once had a reputation for producing mediocre quality coffee. Its coffee was aggregated and sold as a bulk commodity instead of as a value-added, specialty food. Government intervention, limited availability of capital to farmers and careless processing kept Ethiopian coffee — and its growers — marginalized.

A number of U.S. development organizations, cooperatives and volunteers worked with USDA, the U.S.

Agency for International Development (USAID), the Ethiopian government and Ethiopian farmers for nearly two decades to reform the cooperative sector. That work propelled the development of the entire coffee value chain upward, enabling cooperatives such as Ferro to reach new, vastly expanded markets.

“Without cooperatives, Ethiopian coffee growers would be out of the market,” says Asnake Bekele, general manager of the Sidama Coffee Farmers Cooperative Union, which represents 80,000 smallholders. There are now 37,647 primary cooperatives in Ethiopia, with 5.9 million individual members. Cooperatives directly benefit 39 percent of the country’s farmers.

U.N. recognizes promise of cooperatives

The United Nations (U.N.) has designated 2012 as the International Year of Cooperatives, and the U.N.’s Food and Agricultural Organization (FAO) is celebrating World Food Day on Oct. 16 with the theme: “Agricultural Cooperatives: Key to Feeding the World.” These efforts resonate deeply in a place like Ethiopia, where growers’ needs are virtually unlimited and food shortages constantly loom. Co-ops here are a critical organizing medium and a catalyst for economic growth.

With a history of recurrent drought and regular structural food deficits, Ethiopia faces serious agricultural challenges. Half of the country’s gross domestic product is based on agriculture, but a lack of technical know-how, widespread use of out-dated agricultural practices and a co-op system that was previously more of an entity of the state than a modern business model all combined to inhibit economic growth.

On-the-ground training and development

After the collapse of the authoritarian Derg regime in 1991, the United States began providing Farmer-to-Farmer Program volunteers and other assistance to boost Ethiopia’s agricultural sector. ACDI/VOCA and Land O’Lakes were among the organizations that sent U.S. volunteer experts to train local cooperatives in management, accounting and operations under Farmer-to-Farmer and other development programs.

Volunteer Brad Perry, the president of an agribusiness consulting firm in Omaha, Neb., has completed five assignments in Ethiopia. His first trip was to Yirgalem, an area in the heart of the country with rich soil and a damp climate. Working all day in a university classroom, with only short coffee breaks during the intense heat of the day, he trained about 40 cooperative members in financial management.

The trainees were “extremely capable and competent people,” Perry recalls. “The highest compliment I could give,” he continues, “is that I’d hire them in a heartbeat.”

But the Ethiopian marketplace presented many barriers. Labor is cheap in Ethiopia, while capital — especially during the 1990s — was nearly inaccessible, acutely so for farmers.

In his classes, Perry would set aside time to work through case studies, each of which identified an actual problem facing their co-ops. It seemed that nearly all his projects became feasibility studies on how to amass capital to purchase a truck, expand coffee processing or build a warehouse.

Cooperative unions provide breakthrough

Co-op capacity building took place both person-to-person and institutionally. In 1997, ACDI/VOCA began a USAID-funded program to consolidate primary cooperatives into unions in order to increase their leverage and impact through increased bargaining power, management capacity and economies of scale. This helped them access capital.

One of the first apex organizations — the Lumme Farmers’ Cooperative Union — initiated a competitive bidding process and bought inputs directly from importers to save \$175,000 in fertilizer costs for all cooperatives in the Oromia region.

Over two years, the success of this union model was replicated in other districts of the region, reducing overall fertilizer costs by \$4 million for 47,000 coffee and cereal farmers. For the first time in Ethiopian cooperative history, farmers were also paid a dividend on their production.

These dividends had direct impact: they allowed members such as Etensesh Mekonen to cover her thatched-roof house with corrugated iron sheeting. Other union members invested dividends back into their coffee ventures, started new businesses or paid for their children’s education.

Strengthening co-ops’ capacity to scale up

Ethiopian cooperatives worked with U.S. businesses and agencies to build a reputation as a source for high-quality, organic and fair trade coffee for the global market. It was a comprehensive, value-chain approach that addressed opportunities and constraints at each level of the industry. The emphasis was placed on strengthening cooperation among small-scale producers, as well as establishing secondary cooperatives or unions to achieve the economies of scale needed to reach international markets.

The coffee unions won the right to sell outside of the state auction process. Once international roasters and buyers could purchase specific lots of coffee instead of undifferentiated commodity, there was a revolution in coffee quality. Suddenly growers had incentives to produce carefully tended and processed coffee; quality standards soon skyrocketed.

In 2005, the California-based Ecafe Foundation worked with local stakeholders to organize a co-op coffee

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Newsline

Co-op developments, coast to coast

Send co-op news items to: dan.campbell@wdc.USDA.gov



Land O'Lakes acquires Kozy Shack

Land O'Lakes has acquired Kozy Shack Enterprises Inc., a market leader in the chilled dairy desserts category in North America. "Kozy Shack is a strong strategic fit with our value-added dairy foods product portfolio," says Land O'Lakes President and CEO Chris Policinski.

Kozy Shack, based in New York, was founded more than 40 years ago and markets dessert products in the United States and Canada, with a small presence in Ireland. Its plant in Hicksville, N.Y., produces 70 percent of its product volume. It also has a plant in Turlock, Calif. The company also owns and operates a logistics services company, Freshway Distributors, which serves various third-party manufacturers and distributors.

"The acquisition of Kozy Shack represents a new category for Land

O'Lakes — refrigerated desserts — which offers our retail customers an even wider selection of premium dairy food products," Policinski says. Land O'Lakes will apply its extensive sales, marketing, distribution and customer service expertise to expand sales of these products, he adds.

Co-op conference to explore global market trends, innovation

Ways in which agricultural cooperatives can strategically position themselves for sustainable growth will be the focus of this year's Farmer Cooperative Conference, Nov. 8-9 in Minneapolis. Now in its 15th year, this annual national conference regularly attracts top cooperative business leaders and industry experts. They come together to share the latest research, trends and innovative approaches by agricultural cooperatives.

The conference is organized by the University of Wisconsin Center for Cooperatives, with assistance from a planning committee of industry and academic experts.

This year's conference theme is "Leading Change: Envisioning the Future." Sessions will address the impact of the global economy on co-ops, federal policy developments, valuing cooperative businesses in mergers and acquisitions, trends in the energy marketplace and successful cooperative leadership programs.

"This is one of the few events where academics, service providers, directors and employees of cooperatives have an opportunity to interact in the same forum," says Michael Boland, a professor of agricultural economics at the University of Minnesota. He is examining the culture of safety within cooperatives and will be moderating a panel at the conference on developing

better practices relating to risk and safety.

Support for the program comes from CoBank, CHS, Dorsey & Whitney, Farm Foundation, GROWMARK, Land O'Lakes, Lindquist and Vennum, NCFE Education Foundation, Stoel Rives, CliftonLarsonAllen and the Ralph K. Morris Foundation.

"The University of Wisconsin Center for Cooperatives has put together another outstanding program this year, and we urge cooperative organizations to attend the conference and to support its ongoing success," says Peter Rudeen of CoBank's Regional Agribusiness Banking Group. The two-day conference will be hosted at the Radisson Plaza Hotel Minneapolis. More information about the conference program and



registration is available at: www.uwcc.wisc.edu or by contacting Anne Reynolds at 608-263-4775 or atreynol@wisc.edu.

Established in 1962, the UW Center for Cooperatives focuses on education, research and outreach on all aspects of the cooperative business model, including development, finance, structure and governance.

Linn Co-op to get boost with E15 sales

The Linn Co-op Oil Co. in Marion will be one of the first Iowa fuel retailers to offer E15 (gasoline containing 15 percent ethanol) for late model vehicles. The Iowa Renewable Fuels Association announced in early September that it has launched an advertising campaign to promote E15.

CoBank announces drought assistance initiatives

CoBank announced Sept. 13 that it is launching new initiatives to assist agricultural borrowers and others impacted by the 2012 drought. CoBank's base of customers includes hundreds of grain and farm supply cooperatives in the central region of the country, as well as a large number of customers in the protein and dairy sectors, where impacts from the drought have been the worst. In addition, the bank's affiliated Farm Credit associations serve over 70,000 individual farmers and ranchers in 23 states across the nation, including many drought-impacted areas.

"We're committed to supporting our customer-owners at a time of significant challenge for U.S. agriculture," says Robert B. Engel, CoBank's president and CEO. "Our agribusiness customers are, in general, in good financial condition and accustomed to dealing with weather-related volatility that is a fact of life for their industry. The same is true of the farmers and ranchers who borrow from our affiliated Farm Credit associations. But we believe having this program in place will help us better fulfill our mission as the impacts of this historic drought are felt over the balance of the year."

CoBank's drought relief initiatives will include

expedited review and processing of any customer's loan request stemming from the drought, as well as working collaboratively with borrowers experiencing drought-related distress on a case-by-case basis. In addition, the bank will partner with its affiliated associations to provide support for local drought relief programs established to assist farmers, ranchers and other rural borrowers within their individual service territories.

"As a cooperatively owned, mission-based lender, CoBank's core purpose is to provide dependable credit for agriculture and the other vital industries we serve in rural America," Engel says. CoBank and the nation's three other Farm Credit banks issued a joint statement saying that despite the challenges presented by the drought, the Farm Credit System remains well positioned to meet the financial needs of the farmers, ranchers, cooperatives and other rural borrowers.

CoBank also announced it will contribute \$1 million to Feeding America, the nation's leading hunger relief charity. The funds will be designated to support programs in areas of the country where the bank and its affiliated associations have significant operations. ■

The campaign is co-sponsored by the Iowa Corn Growers.

Billboards announcing the availability of E15 at Linn Co-op have been erected. The billboards were to be changed to a branding message on Sept. 24, and are to stay up until Oct. 7. The slogan for the campaign will be: "The roads of Iowa will never be the same." Campaign messages will emphasize the cost savings and performance benefits of E15, according to association officials.

In June, the U.S. Environmental Protection Agency approved rules allowing retailers to sell the 15-percent ethanol fuel blend for 2001 and later vehicles. Linn Co-op was among the first five retailers to receive an EPA approval letter to sell the fuel.

Robert Hawk new CEO at blueberry co-op

Robert E. Hawk assumed duty Aug. 1 as CEO and president of MBG Marketing, a blueberry cooperative based in Grand Junction, Mich. During his 35 years of professional experience, Hawk has worked in a variety of production and senior management positions at leading consumer products companies, including Weaver Popcorn Co. Inc., CROSSMARK Inc. and Northland Cranberries.

"Bob's experience in value-added product development and plant operations are an excellent fit for our recently completed strategic plan," says Pat Goin, chairwoman of the MBG board.

Hawk says he is impressed that MBG, established in 1936, "has had the foresight to invest in new innovations and expanded capabilities. We will continue to focus on growing and delivering a high level of quality products and services that lead to solid customer relationships, loyal consumers and long-term grower profitability."

In 2013, MGB will be exploring opportunities for new, value-added products and will open an IQF (instantly quick frozen) berry processing plant in Bloomingdale, Mich. The co-op will be offering several new



Robert Hawk

proprietary blueberry varieties that have been developed by its in-house plant breeders. "These berries have incredible flavor, size and improved vigor for better shelf life," Goin says.

"As a growers' cooperative, we also focus on attracting additional high-quality growers into the organization so that we can provide a consistent supply of delicious berries to our clients," says Goin, who credited Hawk for "hitting the ground running" in August as the co-op was handling a record 2012 crop.

MBG Marketing – also known as "The Blueberry People" – is a producer-owned blueberry marketing cooperative with many multi-generation farm families growing primarily blueberries in Michigan, Indiana, Georgia, Florida, New Jersey, North Carolina, Oregon, Washington and British Columbia. In conjunction with its three partners in grower-owned Naturipe Farms, MBG is the largest marketer of fresh and processed blueberries in the world.

MFA expands operations in Kansas

MFA Enterprises, a wholly owned subsidiary of MFA Inc., has purchased Irsik & Doll's feed mill and grain elevator in Emporia, Kan., as well as Emch Feed and Elevator Co. Inc. in Madison, Kan. The new additions will strengthen its feed manufacturing and grain merchandising operations in the

region, the co-op says.

MFA, which had net sales of \$1.3 billion in 2011, also recently added a retail outlet in Osage City, Kan., to the Ag Choice Agri Services centers MFA already operates in eastern Kansas and northeastern Oklahoma through its AGChoice retail stores.

"Buying the Emporia and Madison facilities allows MFA to expand its scope of agricultural products and services to a wider geographical area and to strengthen service to MFA's existing farmer and rancher customers in eastern Kansas, Missouri and the Midwest," says Alan Wessler, MFA vice president of feed operations and animal health.

MFA serves 45,000-plus active farmers in Missouri, eastern Kansas, northeastern Oklahoma and adjacent states. Founded in 1914, MFA has 131 company-owned locations and 25 local MFA affiliates with 23 branches. The cooperative also serves about 400 independent dealers and local cooperatives not affiliated with MFA.

USDA loans to help co-ops deploy smart grid technology

U.S. Agriculture Secretary Tom Vilsack in August announced that rural electric utilities in 18 states will receive loan guarantees to make improvements to electric lines and transmission facilities, and to reduce peak-demand electric loads by deploying "smart grid" technologies. USDA Rural Utilities Administrator Jonathan Adelstein made the announcement on Vilsack's behalf while visiting the offices of one of the recipients, Southside Electric Cooperative (SEC) in Crewe, Va.

This consumer-owned, Virginia power cooperative is using the USDA funds to build and improve a distribution line and a transmission line; it will also invest nearly \$7.4 million for smart grid system enhancements. In all, service will be upgraded for about 1,500 SEC members.

"Maintaining and upgrading rural electric systems improves system reliability, creates jobs and supports economic development," Vilsack says.

“With these loans, we are continuing to help cooperatives provide reliable service to rural residents. A significant portion of this funding will go to smart grid technologies, helping consumers lower their electric bills and reducing peak demand for producers.”

The awards announced in August include support for nearly \$29 million in smart grid projects, helping USDA Rural Development move closer to reaching Secretary Vilsack’s goal of providing more than \$250 million for smart grid technologies. In all, USDA is investing more than \$420 million in rural electric infrastructure.

Farm Credit supports Gardening for Greenbacks

Three of the nation’s leading agricultural lenders have joined forces to provide financial support for beginning urban farmers in Cleveland as part of the city’s “Gardening for Greenbacks” program. Minneapolis-based AgriBank, Denver-based CoBank

initiative developed by the city of Cleveland to increase the production of local foods and establish Cleveland as a model for local food system development. By providing financial assistance to local entrepreneurs for the development of for-profit urban food gardens, the program aims to encourage economic development while helping to ensure that every resident has access to fresh, healthy and affordable food.

“Our contribution to Gardening for Greenbacks is a great way for us to serve farmers in an urban environment,” says Bill York, AgriBank CEO. “We recognize the value urban farming offers to local communities as a supplement to more traditional forms of agriculture. Cleveland is at the forefront of this movement and we are proud to help further their efforts.”

“As a mission-based lender, we are committed to encouraging the development of local food systems, including urban farming. We’re delighted to be partnering with other

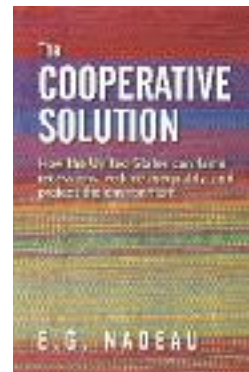
market gardener training class offered by the Ohio State University Extension and to sell their produce locally.

For nearly a century, Farm Credit has been a national provider of credit and related services to rural America through a cooperative network of customer-owned lending institutions and specialized service organizations.

Book says co-ops best way to re-charge U.S. economy

E.G. Nadeau, a well-known cooperative development consultant, has written a new book:

“The Cooperative Solution: How the



United States can tame recessions, reduce inequality and protect the environment.” It focuses on the widespread role of cooperatives in the U.S.

economy and makes the case for greatly expanding their role in the future as a means to stabilize the economy and improve the quality of life for its citizens.

Despite the major presence of co-ops in the world economy and in the United States, this democratically owned part of the private sector is inadequately understood and greatly underappreciated, Nadeau says. His basic tenet is that co-ops are democratically controlled and are motivated primarily by the goal of providing services to their members, not by generating profits for their owners and investors. As a result, co-ops are much more likely to avoid the negative consequences of economic institutions that are primarily driven by the quest for ever-increasing profits.

Nadeau, who has a Ph.D. in sociology from the University of Wisconsin-Madison, has spent the past 40 years researching, developing, teaching and writing about cooperatives in the United States and in 20 other



Cleveland Mayor Frank G. Jackson (far left) gathers with Farm Credit and CoBank officials and other city council members during a ceremonial check presentation made in support of the city’s Gardening for Greenbacks program. Photo courtesy Farm Credit

and Louisville-based Farm Credit Mid-America each committed \$45,000 to the program for a total donation of \$135,000.

All three institutions are members of the Farm Credit System, a nationwide network of producer-owned banks and associations chartered to meet the credit needs of agriculture and other key rural industries.

Gardening for Greenbacks is an

Farm Credit organizations in support of this innovative program,” adds Andrew Jacob, executive vice president at CoBank.

The Farm Credit donation will fund grants of up to \$5,000 to enable program participants acquire the necessary equipment for urban gardening, such as tools, fencing and irrigation systems. Grant recipients are required to successfully complete a

countries. For more information, send e-mail to: egnadeau@inxpress.net.

Minn-Dak expanding sugar plant

Minn-Dak Farmers Cooperative is planning a \$70-million expansion to be built over two years at its sugar beet processing plant in Wahpeton, Minn., according to the Wahpeton Daily News. The molasses de-sugarization plant will turn byproduct beet molasses into products used in food, pharmaceuticals and feed supplements. The co-op says the project will create 20 full-time jobs.

The Richland County Commission has approved a tax break for the expansion, under which property taxes will be waived the first five years and cut in half the next five years, the newspaper reported.

Eric Erba new strategy officer at California Dairies

California Dairies Inc. (CDI), the nation's second largest dairy processing cooperative, has appointed Eric Erba as senior vice president and chief strategy officer (CSO). He will report to Andrei Mikhalevsky, president and CEO.

Erba is the former senior vice president of administrative affairs for CDI, based in Visalia, Calif., where he has worked since 2006. Before that, he was the assistant director for the Division of Animal Health and Food Safety Services at the California Department of Food and Agriculture. He holds a doctorate degree from Cornell University in ag economics (dairy markets and policy specialty).

The co-op has also appointed David Treiber as senior vice president of fluid business development. In his new role with CDI, Trieber will manage all fluid, condensed and cream sales. He had been vice president and division manager for food ingredients at Challenge Dairy Products, a wholly owned subsidiary of CDI, since 1999.

CDI is the largest member-owned milk marketing and processing cooperative in California, producing 43 percent of the state's milk. It is owned

by more than 420 dairy producers, who ship more than 17 billion pounds of milk annually to their co-op, which manufactures butter (including the Danish Creamery and Challenge brands), fluid milk products and milk powders.

USDA issues expanded farmers market directory

There has been a 9.6 percent increase in the past year in the number of farmers markets listed in USDA's National Farmers Market Directory, U.S. Agriculture Deputy Secretary Kathleen Merrigan announced in August to help kick off National Farmers Market Week. Many farmers markets are organized as cooperatives, and many others operate on cooperative principles.

USDA's farmers market directory can be viewed on-line at: farmersmarkets.usda.gov. It identifies 7,864 farmers markets operating throughout the United States, up from 7,175 markets listed the year before. The information collected in the directory is provided voluntarily by farmers market managers through an annual USDA outreach effort.

"Farmers markets are a critical ingredient to our nation's food system," Merrigan said at the kickoff event. "These outlets provide benefits not only to the farmers looking for important income opportunities, but also to communities looking for fresh,



Farmers markets such as this are increasingly popular with shoppers.

healthy foods. The directory is an on-line tool that helps connect farmers and consumers, communities and businesses around the country."

The states with the most farmers markets are: California (827); New York (647); Massachusetts (313); Michigan (311); Wisconsin (298); Illinois (292); Ohio (264); Pennsylvania (254); Virginia and Iowa (tied with 227) and North Carolina (202). Together, these states account for nearly half of the farmers markets listed in the 2012 directory.

USDA's Food and Nutrition Service is helping more farmers markets gain the ability to accept SNAP (Supplemental Nutrition Assistance Program, formerly food stamps). It has made \$4 million available to equip farmers' markets with wireless, point-of-sale equipment. Currently, more than 2,500 farmers markets are using Electronic Benefit Transfer technology.

CHS, Mountain View Co-op building warehouse

Energy, grains and foods co-op CHS Inc. and Mountain View Co-op of Black Eagle have formed a limited liability company to build a 35,000-ton dry fertilizer warehouse at Collins, Minn. Warehouse construction is underway, with completion expected mid-summer 2013.

Mountain View Co-op will be the facility's exclusive fertilizer retailer, serving growers throughout their trade area. Products stored at the new facility will include urea, phosphates, potash, ammonium sulfate and micronutrients, and all agronomic products routinely used by area growers.

"Over the years, we've noticed a continued shift to earlier planting and an increase in the time it takes fertilizer manufacturers to get products to us to meet growers' needs," says Bruce Clark, general manager of Mountain View Co-op. "This new facility will enable us to meet our growers' increased demand for nitrogen and sulfur products, to ensure healthy, profitable crop production."

Located in north-central Montana,

Mountain View Co-op operates 10 agronomy locations within a 100-mile radius of Great Falls, serving farmers growing dryland winter wheat and irrigated hay, malt barley and dryland barley.

“Urea normally produced and shipped from Canada is increasingly being used locally by Canadian farmers, greatly limiting product availability,” says Cheryl Schmura, CHS vice president for its Crop Nutrients division. “The strategic location of the Collins fertilizer hub plant means customers in this region will have secure, competitive supply.”

In other CHS news, the co-op has announced that it will serve as the exclusive off-take company for urea fertilizer produced by the Summit Texas Clean Energy Project LLC plant at Penwell, Texas. CHS will also be a minor investor in the plant, which is expected to generate up to 700,000 tons of urea annually.

“The ability to source high-quality, domestically produced urea will help enhance and streamline our operations while providing consistent supply to customers throughout the region,” says Schmura.

USDA helping Minn. co-op build feed mill

As construction crews were busy recently putting the finishing touches on New Vision Co-op’s new grain elevator and feed mill in Magnolia, Minn., USDA Rural Development State Director Colleen Landkamer and other area leaders visited the site to highlight the economic impact of the project. “This investment by USDA means jobs and economic development opportunities,” Landkamer said.

The investment from USDA Rural Development came in the form of a \$740,000 Rural Economic Development Loan made to the Lismore Telephone Cooperative, which



New Vision Co-op’s feed mill in Magnolia, Minn., during construction. The grain elevator at the \$12.6 million facility is expected to open by November, with the feed mill to be in operation by June.

re-loaned the funds to New Vision Co-op to help pay for the \$12.6-million project.

The facility will process about 120 tons of feed an hour, employ 15 people and deliver swine, dairy and poultry feed to customers from as far as 100 miles away. About 200 area farmers will supply the 3 million bushels of corn and 500,000 bushels of soybean to the mill annually.

“It’s a big deal,” says Frank McDowell, New Vision’s general manager. The elevator is expected to be open in November and the mill should be operating by June.

USDA Rural Development also selected Lismore Telephone Cooperative to receive a \$300,000 Rural Economic Development Grant, which will be used to establish a revolving loan fund to help small businesses in Rock County with “gap financing” and job creation projects.

As construction crews worked and heavy machinery roared behind him, McDowell thanked USDA and Lismore Telephone for supporting the project. “Because of their guidance and support, livestock producers will have access to the most efficient and versatile feed mill in the Midwest.”

Both the loan and the grant were awarded through USDA’s Rural Economic Development Loan and Grant (REDLG) program, which provides zero-interest loans to local utilities which, in turn, provide funds to local businesses (ultimate recipients) for projects that will create and retain employment in rural areas.

Hispanic, women farmers may seek compensation

Hispanic and women farmers and ranchers who believe that the U. S. Department of Agriculture (USDA) improperly denied them farm loan benefits between 1981 and 2000 because they are Hispanic or female may be eligible to apply for

compensation if:

- 1) They sought a farm loan or farm-loan servicing during that period;
- 2) The loan was denied, provided late, approved for a lesser amount than requested, approved with restrictive conditions or USDA failed to provide appropriate loan service; and
- 3) They believe these actions were based on their being Hispanic or female.

To receive a claims package, visit: www.farmerclaims.gov, or call 1-888-508-4429.

For further guidance, you may contact a lawyer or other legal services provider in your community. USDA cannot provide legal advice. If you are currently represented by counsel regarding allegations of discrimination or in a lawsuit claiming discrimination, you should contact your counsel regarding this claims process. ■

Top 100

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segment) are: farm supply co-ops (10); mixed farm supply and grain co-ops (29); grain co-ops (14); dairy co-ops (22); sugar co-ops (7); fruit and vegetable co-ops (8); and other marketing co-ops (10).

Historical comparison

Comparing total gross business volume of these 100 cooperatives from 2006 to 2011 shows that there was a peak in 2008, then total gross business

volume fell before hitting a high during 2011. Total business volume increased by almost 30 percent between 2010 and 2011 as illustrated in figure 1.

Patronage income (income from other cooperatives) increased by \$12.2 million in 2011, or 7.3 percent. Net income (after taxes) grew by 38 percent, or \$877 million. The value of crop and livestock production affected the increase in net income during 2011.

Figure 3 shows that mixed grain and supply cooperatives account for 43 percent of the revenue of the top 100 co-ops while comprising only 29 percent of the number of cooperatives on the list (the largest group). The

mixed grain and supply group also accounted for 47 percent of the assets of the top 100 ag-co-ops.

Dairy (22 cooperatives) accounted for 23 percent of the revenue and 15 percent of the assets (figure 4). This dropped from last year's figures of 25 percent and 17 percent, respectively.

Changes in the size of the functional groups between 2002 and 2011 are shown in figures 5 and 6. Mixed cooperatives were also the most numerous (29 percent) in 2002. The number of co-ops in each functional group shows only small fluctuations during the 10-year period. ■

'The pillar of my home'

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competition. The highest-scoring coffees from the competition were selected to participate in an Internet auction hosted by the Specialty Coffee Association of America (SCAA). This first-ever Internet auction of Ethiopian coffee generated more than \$187,000 for farmers in 150 co-ops, with an average price paid of \$3.22 per pound, compared to the then-market price of \$1.30 per pound.

An overall premium of \$75,000 was paid for these coffees, with all proceeds distributed to the cooperatives. A second auction in 2006 earned more than \$250,000. In addition to benefiting these limited-resource producers, the reputation of Ethiopian coffee was also elevated into the first rank.

As a result of the auction, William Boot, co-founder of Ecafe, declared: "Farmers at the co-op level who produce these exemplary coffees will receive the prices and the recognition they deserve."

Building on success

Today, a USDA-funded

ACDI/VOCA project is working to increase the incomes of smallholder farmers through improved access to consistent, affordable and high-quality animal feeds that can support greater livestock productivity and efficiency. The Agricultural Growth Program-Agribusiness and Market Development (AGP-AMDe) — a USAID-funded, Feed the Future initiative — is currently strengthening Ethiopia's agriculture sector, enhancing access to finance and stimulating innovation and private sector investment. Amde means "pillar of my home" in Amharic, signaling its importance to household well-being. Continued cooperative development is a cornerstone of this project.

"...As we look across sub-Saharan Africa, we see enormous economic growth, even as the global economy continues to struggle," U.S. Secretary of State Hillary Clinton said in Johannesburg, South Africa, on Aug. 6 during the U.S.-South Africa Business Partnership Summit. "Seven of the world's 10 fastest-growing economies are in this region," she added.

Ethiopia, with more than 8 percent GDP growth during the past decade, is one of the countries Secretary Clinton was referring to. However, its rural

poor still tend to be left out.

Food security in Ethiopia depends largely on smallholder farmer agriculture. For example, most of the country's coffee is produced by smallholder farmers owning just three to five acres of land and earning less than \$1 per day. Ethiopia's decision to revitalize its farmer cooperatives and help them transition to market-oriented, private business organizations — coupled with ongoing USAID- and USDA-funded programs — has established a framework for future success.

Interventions to date through these programs have had a big impact. An ACDI/VOCA program assessment showed that farmers reported having:

- Improved diet (64 percent of farmers);
- Better educated children (84 percent);
- Increased purchasing power for consumer goods (77 percent);
- Improved homes (67 percent);
- Increased numbers of livestock (54 percent) and
- Newfound ability to hire labor (51 percent).

Revolutionizing Ethiopia's co-op movement

"The bureau, supported by ACDI/VOCA with USAID funding, is

revolutionizing the cooperative movement in Ethiopia,” says Zerihun Alemayehu, former head of the cooperative promotion bureau in the Ethiopian prime minister's office. Cooperatives under the previous regime were poorly managed, he says

“The new model cooperatives currently being promoted by the government and ACDI/VOCA,”

Alemayehu continues, “are democratic, business-oriented and professionally managed with increased income to member farmers as the primary objective.”

Brad Perry agrees with Alemayehu regarding the impact of cooperatives, both in Ethiopia and the United States. The work he did in Ethiopia reinvigorated his appreciation of the

value and worth of cooperatives, which has also benefited his work in the United States, he says.

“It’s been a refresher course for me on co-op theory and education,” Perry says. “Because they really believe it [the value of cooperatives] in Ethiopia; too many times in the U.S., we’ve lost sight of it.”

Management Tip

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Succession plans, like any business plan, involve numerous factors that require careful consideration. Seek professional advice from your lender, accountant and attorney when formulating a succession plan.

Succession planning resources from Farm Credit

If keeping the farm in your family is a top priority, look to experts you trust to begin or revisit a succession plan; ask questions and seek advice to help guide you in building and maintaining a plan that works for you and your family business. Farm Credit, through its retail banks and associations, offers many programs that help borrower-owners plan for and navigate the complexities

of succession planning.

Among them:

- AgSouth’s AgAware: agsouthfc.com/AgSouthAgAwareProgram.html;
- AgCountry Farm Credit Services: agcountry.com/en/Products-and-Services/Succession-and-Retirement.aspx;
- Visit farmcredit.com/locations to find a Farm Credit location and additional resources near you.

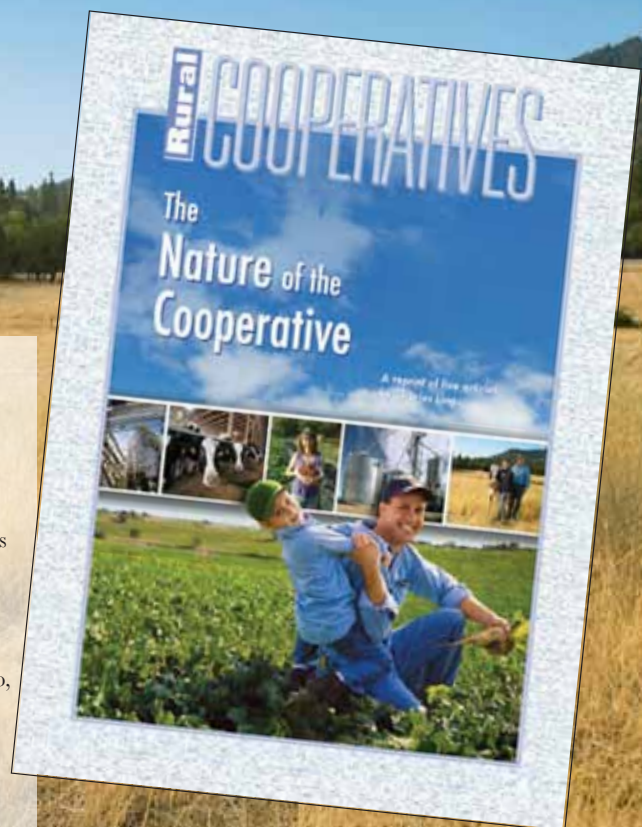
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“The Nature of the Cooperative” is a collection of five articles reprinted from *Rural Cooperatives* Magazine that examine cooperatives and their place in our free-market economy.

Author Charles Ling explains co-op economic structure, theory and practice, as well as the economics of cooperative marketing and co-ops’ relationships with other market participants through their roles in transaction governance.

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