

USDA RURAL DEVELOPMENT)
PUBLIC FORUM ON)
COOPERATIVE RESEARCH)

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UNITED STATES DEPARTMENT OF AGRICULTURE

USDA RURAL DEVELOPMENT)
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COOPERATIVE RESEARCH)

Room 107-A
Whitten Building
1400 Independence Avenue, S.W.
Washington, D.C.

Tuesday,
September 27, 2005

The parties met, pursuant to the notice, at
9:00 a.m.

BEFORE: THOMAS DORR, Chairman

PANEL MEMBERS:

JOHN R. DUNN
BOBBIE PURCELL
PETER THOMAS
THOMAS STAFFORD
JOHN WELLS

ATTENDEES:

PAUL HAZEN
JEAN-MARI PELTIER
DEB CONLEY
BILL PATRIE
PAUL DARBY
MICHAEL BOLAND
RANDY TORGERSON
AUDREY MALAN
LIZ BAILEY
ANN HOYT
CHARLES SNYDER
DOUGLAS M. KLEINE

P R O C E E D I N G S

(9:00 a.m.)

MR. THOMAS: My name is Peter Thomas, and I'm the administrator of Rural Development's Business and Cooperative Service, and I'd like to welcome you all here today to this public meeting of our cooperative research agenda.

As you know, this Administration has continued to emphasize the importance of reaching out to the people we serve to gather ideas and opinions in how best to go about the work of government.

Just recently we conducted an extensive series of listening sessions on small and minority business development in the states of California, Mississippi, and New Mexico. We believe in outreach, and today's meeting is another important step in reaching out to our constituents.

At this time, I'd like to introduce two members of my staff, Bobbie Purcell, who is the deputy administrator of our cooperative programs, and John Dunn, sitting next to her, who is the director of the cooperative research management division, and Tom Stafford and John Wells from our cooperative staff who together with the rest of our research staff in the room will serve as today's listeners.

Now I'd like to introduce Mr. Thomas Dorr, the Undersecretary of Rural Development. Mr. Dorr was appointed by President Bush and sworn into office by Agriculture Secretary Mike Johanns on July 27, 2005. Mr. Dorr

previously served as Undersecretary for Rural Development from August '02 to December 2003.

During his tenure at USDA, Mr. Dorr's leadership has been instrumental in many of the department's efforts to carry out the President's vision of a vibrant rural America.

Prior to his service at USDA, Mr. Dorr was president of a family agribusiness in Iowa that included a corn and soybean farm. Throughout his career, Mr. Dorr has demonstrated a keen interest in research and in the role research can play in developing creative approaches to improving conditions in our rural communities.

And I might point out that Mr. Dorr has been the leader of Rural Development's role in supporting the disaster relief efforts for the stricken victims of Hurricanes Katrina and Rita.

But more importantly, to sum it all up, Mr. Dorr is the type of guy who comes to Washington and to Rural Development not to get a job but to do a job. Ladies and gentlemen, it's my pleasure to introduce to you the Undersecretary of Rural Development, Mr. Thomas Dorr.

(Applause.)

MR. DORR: Thank you, Peter. It was very kind of you in the introduction.

I have a couple of things that I wanted to say, but before I do start, Peter alluded to not just mine but all of Rural Development's involvement in the disaster surrounding Hurricanes Katrina and Rita, and I don't know

how many of you have actually either had a chance to have been down there to see any of it or to be involved in working anything out in that area or not on a firsthand basis other than perhaps to have seen it on television.

I did get back from about two and a half or three days down there last week. I started out in Alexandria, Louisiana, went south to Baton Rouge, then went east over through Washington, St. Tammany, Tangipahoa -- I can't say those French names worth a darn -- Counties.

Ended up in Bogalusa getting kind of passed from one state rural development director to Mike Taylor of Louisiana to Nick Walters, our Mississippi State director, then went over to Wiggins, Mississippi, stayed there overnight, and then the next day we went south to the coast, started at Waveland and worked our way up all the way to Ocean Springs through Gulfport, Biloxi, et cetera.

If you've seen pictures of this on television, it doesn't do it justice in the sense that you've probably also seen so many of these darn disaster movies that it doesn't look a bit different than a disaster movie that you've probably seen sometime over the last 10 years, and as a result, it reduces the tragedy and the scope of the tragedy as you see it on television. To have been down there and to have seen what has happened is absolutely mind-boggling.

To the extent that you and your organizations that you represent have an opportunity and/or realize needs that

need to be addressed as a result of this, I encourage you and frankly urge you to do so in a very blessed manner. The tragedy and the scope of the tragedy in and of itself, quite frankly, no one individual could do justice to it in terms of what is there and what is seen.

Literally, the only way to explain it in my view is almost like a little child that has a set of Legos. He has them all built up into whatever he wants to build them up and then throws a temper tantrum and kicks them and scatters them all over and there's not one wit of anything left, and that's exactly what it looks like. It's just mile after mile after mile.

But of all the tragedy and all the disaster, the loss of life and the loss of property, there's some terrific opportunities that will now be a result of that. There will be the effect -- the net effect will be almost a green field or a blank sheet sort of environment to rebuild, to redevelop, and to redo things.

It's an extraordinary opportunity to be creative, to be thoughtful, to be effective in beginning to deploy some of the thoughts and the concepts that you all collectively have worked on over the last several years. You're not going to have five or six years to implement it. You're going to have a couple of months.

We've actually pulled together folks from our co-op services and our office of community development, and we did this three weeks ago and said begin to frame up an

outline of the approach and some of the options that we have in rural development and in overarching rural economic development models.

We are not going to have an opportunity like this for some time, so I urge all of you (1) truly, regardless of your faith, to keep these folks in your prayers; (2) to think outside the box creatively about the source of options and opportunities that this disaster has provided you with and to work within your organizations and your associations to see what you can do. I don't think it can be overstated the need that is going to be present down there.

Nine hundred thousand families at a minimum have been displaced from their homes. There are very, very short-term and longer-term housing needs. Infrastructure development that has needed a lot of upgrading over the years will need to be addressed. The State of Mississippi, and I say this unequivocally, the State of Mississippi has 1,000 rural water associations. The State of Iowa has 17. I don't know what locally they're going to decide to do, but it's clear you don't need 1,000 rural water associations.

So it's my hope that you collectively as leaders within your organizations look at every one of these similar issues and decide what you can do to make it a better environment, a better system, and a better place to live.

There's no question that the impact of these disasters gets greater with each coming disaster, and when I

said that down there, people looked at me and shake their heads and say sure, of course. These hurricanes, Category 4 and Category 5, are truly horrendous. I say yeah, that's part of it, but the real focus of the disasters are the density of populations that have been built up around these coastal areas.

There's significant policy and other planning issues that need to be thought through and thought through very carefully, and I resolve you to keep that in consideration.

So I thank you for allowing me just a couple of minutes to expound on that, and I'd be delighted to spend whatever amount of time necessary privately with any of you who are interested in any of others of these observations or to point you in a direction that you may be interested in going if you have any questions on that.

But having said all that, I do want to thank all of you for coming. It's a real pleasure to be here. You know, this historically has always been and it needs to continue to be a partners meeting. Over the years, Cooperatives and USDA have truly grown up together.

This partnership has been one of the foundations of rural economy for generations, and it's pretty evident to me that if rural America is going to continue to be involved in a strong economic revival -- and I would submit to you that in many areas, there is a strong economic revival going on in rural America -- it is important, it really is

important that we understand the modern basis for these relationships.

The good news today, although I say this now, but I've already done it, is you really don't have to listen to me make a speech. Goodness knows I do plenty of that, but today is your turn to speak to our folks and to our panel, and frankly, I tend to speak whether I'm asked to or not, so it really is your lucky day.

But we're here to listen to your thoughts, your suggestions, and your priorities about the cooperative research program. I think it's important to point out, though, that our goals are practical and, in my view, they're urgent. We're looking for more bang for the buck.

We need to better focus our research efforts where there will be real world payoffs for rural America, and you are some of the best people to ask about that because you've been involved with it on a day-to-day and very direct manner.

This of course is a never-ending challenge. The world is changing. The world is changing very rapidly, and all of us understand that the competitive pressures, globalization, new technologies, and emerging markets mean that cooperatives, just like about any other business in the modern world, must adapt to survive. Change is a constant. I can't overemphasize that.

The challenge is going to be how to anticipate, prepare for, and profit from change. We're here bottom line

because we understand that rural America has enormous opportunities. I am probably the insufferable optimist relative to rural America, and if we are prepared to seize these opportunities, we can be successful.

Cooperatives are going to need to address their role in how best to leverage their member equity, their traditions, and their mistakes into new, strong, and viable business models whether it is reining increased deficiencies from traditional business models or creating new markets with

value-added or branded products or exploiting emerging technologies in bioagriculture and alternative fuels or leveraging broadband to level the playing field for rural businesses.

The opportunities really are there, but it is imperative, it is imperative that the business models to govern and structure and to equity transparency work for those rural investors whom you ultimately represent. We want to build a research program that helps cooperatives uncover and take advantage of these opportunities, and we are looking for ways to build businesses and increase profits while simultaneously serving the other social needs that cooperatives can clearly help fulfill.

We're looking for new and creative ideas to increase investment in cooperatives and business models in rural America and rural areas generally. We have a very special interest in using cooperatives to address the

problems faced by small farmers in historically disadvantaged groups. So this morning we are looking for your guidance, your ideas, and your priorities as we define our research priorities on these issues.

This is your meeting, so let me close by simply recognizing and thanking John Dunn, who has done so much to help move this effort ahead, and I'm going to turn this microphone over here in just a second to John, but I want to make one more point before I close.

John set up and established I think one of the most significant pieces of research that we have done in rural co-op services in conjunction with Keith Collins' shop, the chief economist's shop, and others in looking at the impact of information technologies and their ability to essentially not only arbitrage commodity prices and supplies and products from processes but also management and technology and a host of other things that enable small businesses to survive in a very competitive environment in rural America.

And I presume at some point today, John, you're going to visit about that with them, but if you're not, we'll talk to you more about it offline, but it's probably been one of the most interesting, intriguing, and exciting pieces of research that I've seen done in a long time.

I would like to personally, publicly thank John for the guidance that he gave that effort because I'm very, very proud of him. So I'd like to thank you and turn this

over to John, and I hope you have a very, very productive day. Thanks again.

(Applause.)

MR. DORR: Thank you very much, Tom. I thank all of you for coming. Tom, thanks for opening us up. Peter, thanks for being here. Just an element of ground rules. Each speaker is going to be allotted 15 minutes. I will be the timekeeper and give you a two-minute warning unless I'm so fascinated in what you're saying that I forget to watch my watch.

But I would ask that you would leave written copies if you have them of your presentations in the box up here; also electronic copies if you brought them with in some sort of hard format. If not, please send them to me as well.

We have five speakers or organizations before break, then we'll break for about 15 minutes, then we have four, then we'll break for lunch, and then we have three after lunch.

If anybody is here that is not signed up as a speaker, we do have some available slots towards the end of the day. See me during a break and we'll get you put on. Within your 15 minutes, if you want to talk for 10 and ask questions of us for five, that's your prerogative. It's your 15 minutes to use as you see fit.

We hope if we have some time at the end of the day and there are some of you left that we can have some open

discussion on research topics because we very much welcome that. First out of the box we have Paul Hazen, National Cooperative Business Association.

MR. HAZEN: Good morning. A very distinguished panel, and I appreciate the opportunity to be here. I just want to apologize, I'm suffering from a little bit of a cold, so I'm a little hoarse, but I hope you understand that.

I'm here today on behalf of the 700 members of the National Co-op Business Association. It's my distinct pleasure to offer our comments in the type of research the USDA Cooperative Service should strongly consider conducting. I want to add that I've learned about research and cooperatives over the past year. I've done that by listening a lot to people who know a lot more than I do.

Our organization has made our number one priority to expand the research capacity in cooperatives, and I'm going to outline the reasons that we've taken that position. But I want to start by commending the department for holding this public meeting, and NCBA stands ready to assist USDA in this most important endeavor.

We also commend the many fine institutions that have conducted research on specific sectors of the larger cooperative family. These studies have provided an enormous wealth of information about those specific sectors. Despite all the benefits of that research, there's a very pressing

need for the economic impact of all U.S. cooperatives to be studied.

Earlier this year I was honored to be asked to speak at a conference at the United Nations. As I began to draft my comments, it again hit home the real lack of data on the entire cooperative sector. As I was attempting to demonstrate the tremendous positive influence that cooperatives in the United States produce to these international representatives, it was extremely frustrating that our country is so lacking in concrete data on this part of the economy that I know all of us at this meeting care so deeply about.

The National Cooperative Bank -- and you'll be hearing more from Chuck Snyder, their president and CEO later today -- annually publishes a list of top 100 cooperatives which was just released last week. The assets of just those top 100s were almost at \$300 billion. While I'm grateful for this study, but because of the lack of data, it excludes the entire purchasing cooperative sector, which alone does billions of dollars in transactions every year.

Various cooperative sectors have been studied, and the results are extremely significant. In my home state of Wisconsin in a study funded by USDA, cooperatives were found to support close to 30,000 full-time jobs.

The South Dakota Rural Electric Cooperative Association found that electric co-ops alone in that small

state generated 800 new jobs and \$11 million in economic development activity over a five-year period. The Alabama Credit Union League found that their state's credit unions generated over 8,000 jobs, \$288 million in household income, and \$24.1 million in tax receipts.

In the later example, that is just the credit unions from the average-sized state, and they represent just a fraction of the cooperatives within that state. Just imagine the possibilities if we could replicate these types of studies on a nationwide basis for all cooperatives. This country needs national data on the impact of cooperatives on the U.S. economy.

This data needs to include: (1) the number of jobs created by cooperatives both directly and indirectly; (2) the level of economic activity created by cooperatives; (3) the tax revenue generated by the level of economic activity; (4) a definitive census on the number of cooperatives and the types of goods and services that are being offered; (5) the amount of patronage refunds that are returned to the members from their cooperatives; and lastly, the extent of the social welfare benefit where cooperatives are meeting the needs of communities that would not adequately be met by other types of businesses.

A competent government sanctioned cross-sector, multi-discipline economic impact study led by a respected academic institution will provide enormous benefits for all cooperatives. The database that this study will create will

allow and encourage continuing research. This will increase awareness of the cooperative form of business, which in turn will generate new business which will allow cooperatives to attract new members and investors.

Surveys over the years have consistently shown that consumers like cooperatives and they like being part of and doing business with cooperatives. Members and investors want to know that they are buying a credible product, and respected research builds your credibility.

Just as a census provides extremely valuable data that businesses use in their forecasting models, the data gathered from studying the economic impact of cooperatives will also be an invaluable tool. Areas of special need could be identified, and new or existing cooperatives could be established or expanded to meet those needs.

The cooperative model gives us so much to be proud of: people joining together to meet a need in a fashion that thrives on cooperation and fair treatment of all the participants. This is the free market working at peak efficiency. Like all successful businesses, it must generate a positive margin.

Very few of us who have dedicated our careers to cooperatives have avoided the experience of having to explain what a cooperative is many, many times over to friends, colleagues, or even family members. Most people in this country have very limited knowledge of a cooperative,

or perhaps they have a frozen image of a brief encounter with a cooperative many years ago.

Cooperatives are businesses, serious businesses, generating billions of dollars of economic activity. The time is long overdue to have core research done that so many other parts of the economy enjoy on a regular basis. NCBA and our members have worked very hard with many members of Congress to ensure that the current Agriculture Appropriation bills have \$500,000 in funds for the type of research we are requesting in this testimony.

We will continue to work with the Congress through their conference committee process to ensure that these funds are approved and that one major study of economic impact of cooperatives is conducted. In the March/April 2005 issue of the *Cooperative Business Journal* -- and I've attached a copy to my testimony -- the cover story highlighted the data gap that exists for cooperatives.

In that article, it pointed out that it has been years since the government has attempted any systematic data collection on cooperatives. It is very likely that we will be given the opportunity to correct this problem which has plagued cooperatives. This is a phenomenal opportunity to reinvigorate USDA's Rural Business-Cooperative Service and continue a tradition of a public/private partnership that will truly provide lasting benefits for all cooperative members.

Let us join together in utilizing this opportunity to serve all the people in the United States and around the world that benefit from our cooperatives. Thank you for this opportunity to share our thoughts from NCBA, and I'd be happy to take any questions.

MR. DUNN: Paul, how do you see this study which sounds kind of like a one-shop thing becoming a sustaining, ongoing tracking program for all of us here?

MR. HAZEN: Well, I believe we've talked a lot about this in our organization, and NCBA represents all different kinds of cooperatives, and I think what we're really looking for is some type of economic model where on a continuing basis we would be updating that data and producing the result.

I think we would not be interested in a one-shot deal because that's a great snapshot, you know, according to a photographer, but it's the ongoing, and so we can start to establish patterns and benchmarks and things in order to make projections, so we would hope that a model would be created and the economic data that would be collected would be plugged into that.

And then, again, in order to encourage continuing research, one thing that I've found in talking with some leading researchers at some major universities is with the lack of data, it's hard really to attract kind of the top people in the country who do research because they don't want to have to do that data collection part of it.

And without being able to produce that, I don't think we're really attracting the top people, and we would hope that on an ongoing basis, the people in the leading research institutions would see that as a real value.

MS. PURCELL: I think it would be important, too, for us to have a unified working arrangement with all of our partners in this to be able to collect the kind of data because you need to have people that are willing to provide that data to you, and I think it would take a partnership of all of us to be able to collect that type of data.

MR. HAZEN: Absolutely. Yes.

MR. THOMAS: I am moved to mention a program we do have under way and would certainly include cooperatives is a program called SEBAS, social economic benefit analysis, and I view it now as a Christmas tree. It's kind of bare, and we're going to put bulbs on it and decorations and track jobs and tax impact and so forth and so on in the local communities, and it's along that line with what you're requesting, and hopefully it will be a good fit and a good answer to your question.

MR. HAZEN: Mm-hmm. One other thing I wanted to just point out but didn't include it in testimony, I think it's important for us to take a look at the entire nation.

Cooperatives are not restricted by geography, and there may be models in urban areas or internationally that we could study and analyze that would provide the kind of solutions that Mr. Dorr was talking about, new ways of doing

things. And I hope we're not restricted by geography and look for where the innovation is occurring as we think about research.

And the other thing is that, you know, if you take the example of an electric cooperative, you know, many of them serve suburban areas as well as rural areas, and I think when you take a look at the economy of a state or of a region, there's many different kinds of geographic areas there, and I think in our research we need to take a look at how cooperatives function across the country.

MR. DUNN: Mm-hmm.

MR. HAZEN: Thank you very much.

MR. DUNN: Thank you very much. Paul, you actually have about four minutes left. Do you want to make a pitch for the race for Co-op Development?

MR. HAZEN: Yes. On Saturday, the Cooperative Development Foundation is having a fundraiser, and if anybody is inclined to run, this is a race for Cooperative Development, you can join the USDA team.

(Laughter.)

MR. DUNN: Thank you. Jean-Mari Peltier, National Council of Farmer Cooperatives.

MS. PELTIER: Good morning. You can imagine my chagrin at hearing that my predecessor here at the microphone had a terrible cold, so I'm kind of wondering whether I actually want to touch the microphone.

(Laughter.)

MS. PELTIER: I didn't want to take any chances here.

Good morning. My name is Jean-Mari Peltier, and I'm the president of the National Council of Farmer Cooperatives. There are about 3,000 farmer cooperatives across the United States that represent two million farmers accounting for \$115 billion in total sales and we think about 250,000 related jobs with a combined payroll in the agricultural sector of over \$8 billion.

Being farmer-owned, they also provide another important boost to the local economy as monies that are generated and the net margins of farmer cooperatives tend to be spent in the rural communities in which they are generated.

We've been very supportive and thankful for the historic role of the USDA in supporting the role of farmer cooperatives and also in support that USDA recently lent in a review that's been undertaken by the Antitrust Modernization Commission.

This Antitrust Modernization Commission was established by Congress to take a look at telecommunications laws, and Congressional commissions being what they are, they've expanded the scope of their review to take a look at all immunities or many immunities and exemptions. Number one on their list being the one that is often considered the Magna Carta of farmer cooperatives, and that's Capper-Volstead.

At the very time when Agriculture finds itself pinched in dealing in a globalized retail and food service food sector, at the time when those to whom we're selling are becoming more and more consolidated, at this very time when farmers are struggling to have the scope and scale of operations to sell into this globalized food chain, we have a commission that's evaluating whether or not farmers will be able to join together to cooperatively talk about price.

So we're very thankful for the position that was filed with this Antitrust Modernization Commission. We're hopeful that Secretary Johanns will be offered an opportunity to speak when the commission holds its field hearing on November 7th.

Let me also say that as I mentioned before, this hearing is extremely timely because we are looking at an entire food and ag system from retail counters to the farmer in the field that's undergoing tremendous and comprehensive changes.

Traditional business structures are being reexamined, redefined, and restructured throughout the entire food chain, and I would say that that's no different in the cooperative sector.

As a part of our strategic plan that was adopted last year, the National Council of Farmer Cooperatives has decided to undertake a comprehensive review of the existing business structures of farmer cooperatives and the way we're currently operating.

We've created a cooperative business advisory group that's chaired by Jack Gherty from Land O'Lakes, and this cooperative business advisory group which also consists of attorneys and accountants who are specialists in farm co-ops as well as representatives of academia has come together to try to outline a series of questions that we think we need to answer.

We are identifying the next set of structural challenges that are going to confront the farmer cooperative business model and trying as a result of the work that we've undertaken to provide a new menu of strategic options to give farmers and farmer-owned businesses the flexibility needed to organize and finance a business that can effectively compete in the global marketplace.

As a part of this work, we've undertaken two surveys, one of which is very, very detailed and is geared towards accountants and councils general of farmer-owned cooperatives, and it's asking for detailed information about the existing structure of co-ops, those tax provisions that they take advantage of, their compliance with and reliance upon the Capper-Volstead Act.

In addition, we set out to see what is keeping farmer cooperative CEOs awake at night, and in structuring that survey, we went out to five prominent agricultural researchers from the land grant universities and asked them if they had the opportunity to ask the top 50 farm co-op

CEOs their five most pressing questions, what would those be?

We've consolidated that into one survey, and Dr. Terry Barr, who's the chief economist at NCFCA, and I have over the summer been conducting one-on-one surveys with the CEOs of our farmer cooperative members.

All of this work is generating literally a mountain of data, a mountain of data that's going to be able to be analyzed by both geography as well as the type of cooperative we're talking about, whether it's a supply cooperative, whether it's a marketing cooperative, whether it's farm credit, whether it's a bargaining cooperative.

We'll be able to analyze the changing demographics of their membership and the impact that that's had on demands on the cooperative. We'll be able to talk about the different methods that our farmer cooperatives have utilized to capitalize their businesses.

You may recall that over about the last five years there has been a relatively steady drumbeat that's suggested that the chief obstacle that's facing farmer cooperatives is the lack of access to sufficient capital to fund their organizations in this new, expanded and globalized marketplace. We're finding that that's true, but the question is not so much access to capital as it is access to equity capital rather than taking on long-term debt.

Farmer cooperatives have responded to this in a variety of ways, one of which is the issuing of preferred

stock. That's why the repeal of the dividend allocation rule was so important to farmer co-ops, and we were so happy that that was included as part of the Jobs Creation Act last year.

We will be able to through our study analyze those results to see how many of our farmer cooperatives are looking at preferred stock and the overall economic benefit that will be a result of the passage of the Jobs Creation Act.

Another key issue, though, especially as we take a look at the changing demographics and an aging population in rural America, one of the really important factors that we're determining from our review is that farmer cooperatives are struggling with being able to provide a vehicle for their members to be able to access the value of the cooperative without selling off the value of that enterprise.

Obviously, it's going to take a lot of work to review all of this data that we have. We have done the data-gathering. We will be looking for an opportunity to sit down with you and talk with you about preliminarily what our results have been, but we definitely will be looking for partnerships on helping us sift through this data and analyze what its long-term impacts will be.

One of the other areas that we've determined as a part of this study is that many of our cooperatives are

expanding their work with nonmembers both as a means to expand their product lines as well as an opportunity to generate profits that can be held in permanent equity within the co-op. The impacts of expansion of this nonmember business are really something that I think we need to take a look at with the long-term effects on governance within the cooperative structure.

Finally, we want to thank you for this opportunity to present testimony, and I've tried to keep my remarks brief so that you can ask me questions about really what we're looking at with the National Council of Farmer Cooperatives in this cooperative business advisory group, and with that, I'd like to conclude my remarks and open up any questions that any of the panelists may have.

MR. DUNN: Thank you, Jean-Mari. As you know, cooperative services, cooperative programs under various names has had a really course partnership with the National Council over the years going back to at least early in my career dealing with petroleum, certainly on taxation issues all along, so we do welcome the opportunity to work with you on this latest and we want to do everything we can do to I guess rebuild that research relationship that we have had, had in the past.

There has been a lot of discussion over the past several years about the research role that cooperative programs provide as to whether or not it needs to be expanded to look beyond farmer and agricultural cooperatives

to include other types of rural businesses. What is the council's current feeling right now about where we ought to be deploying ourselves, what we ought to be emphasizing in that respect?

MS. PELTIER: Well, I think that's a valid question, and once again, let me say how much we've appreciated the work that the cooperative service has done through the years with NCFC.

Even most recently we had a very important cooperative project with USDA and analyzing the impact of the spill prevention rule that EPA had put in place, and in that particular case, Rural Business-Cooperative Service was instrumental in pulling together the data both from cooperatives, especially supply cooperatives that sell and distribute diesel and other petroleum-based products as well as even having storage of vegetable-based oils.

EPA was totally unaware that literally tens of thousands of farms were caught by that spill prevention rule, and so I think that's a prime example of the kind of working relationship.

One of the things that NCFC had had as part of its platform a couple of years ago was looking for agency status for Rural Business-Cooperative Service, and that idea was based on the fact that we see regulations being put into place on an ongoing basis, and the impact of those regulations on farmer cooperatives isn't fully anticipated.

And so moving Rural Business-Cooperative Service into the role of analysis of impacts of pending regulations among the cooperatives is something we'd really like to see.

In terms of expansion of the role beyond farmer cooperatives, we understand that there is an interest in doing that, and certainly the project that Paul Hazen just discussed would put you in that role.

You know, if we looked at the authorizing legislation, it seems to suggest that the service is supposed to be focused on rendering service to associations of producers of agricultural products, and so from our perspective, we hate to see them focus on farmer cooperatives and those organizations that are involved in the storage, cooperative purchasing, farms supplies, farm credit and financing, insurance and other co-op activities, we hate to see that diluted by an expansion into areas beyond those services that are important to farmer cooperatives, but we understand the pressures that you face.

MS. PURCELL: Thank you. And let me just say that we would look forward to working with you and helping sift through that data if you give us that opportunity because I think that would be a wonderful educational experience for us as well to find out really what is on the minds of today's farmers and how we can help them best, and I think from that we could actually help establish a research agenda for us in that area, so I think that would be an important place to start.

MS. PELTIER: Bobbie, let me also suggest that one of the things that we've picked up in talking especially to directors of farmers cooperatives, as each of them are analyzing what their options are for capitalizing their organizations, they really could use some help in sifting through what the implications of various forms of capitalizing their company are.

MS. PURCELL: And the tax implications?

MS. PELTIER: Exactly. What are the advantages of creating LLCs versus partnerships versus strategic alliances and even going as far as some information like preferred stock, and so especially in helping us create that matrix that would be something that we really are interested in working with you on.

MS. PURCELL: And I think we clearly have the capacity to help you with that, and we'd be more than happy to begin that project.

MS. PELTIER: Great. Thank you.

MS. PURCELL: Thank you.

MS. PELTIER: We're going to whip through this before lunchtime.

(Laughter.)

MS. PURCELL: Thank you very much.

MR. DUNN: We'll bring back Mr. Dorr to speak some more. Okay. Next up -- thank you very much -- Deb Conley, Indiana Cooperative Development Center.

MS. CONLEY: Good morning.

MR. DUNN: Good morning, Deb.

MS. CONLEY: I'm so glad that you know my name because I got to make comment on the farm bill recently when they were in Indianapolis and I forgot to tell them my name, so my comments there were totally anonymous.

(Laughter.)

MS. CONLEY: I'd like to thank you for this opportunity. I'm not going to leave you my paper. I have edited and reedited, so I will compile this when I get back to the office later today and send that in electronic version.

I wanted to say that it's clear that rural means more than just farming and small towns. In my estimation, rural development encompasses everything about rural quality of life including the condition of infrastructure, the safety of the communities, the strength of businesses, and the education of the children.

Rural America needs additional tools in order to prosper in the future. We see cooperatives as just one tool to address many of the rural issues that rural America faces today. Co-ops have been making a difference in this country for many years, but what's the true impact? I mean, that's what we're finding is difficult to measure.

In addition, I think we have for too long not taken a good look at our neighbors around the world and what they are doing. How are co-ops structured in other countries? Are they more or less effective in enhancing

quality of life and economic developments than in the U.S.?
What's the impact around the world economically?

That's just the beginning of the conversation we could have about the global impact of cooperatives. I believe we must better capture a comprehensive picture of the cooperative model in order to most effectively use this very important tool.

From an organizational standpoint, there are several challenges that future research could address. In our role to help develop new cooperative businesses, several questions have been posed to us that we can't adequately answer. These include: How much do cooperatives impact our states' economy? How many cooperatives are there? Where do co-ops access capital? In what areas are co-ops more successful, and in what areas are they proving not to be?

In light of those questions and more, we support this research project that you'll be undertaking and are glad to have the opportunity to provide input. I won't use my whole 15 minutes, so somebody else can have it, or we'll go to lunch early.

In particular, I suggest that in addition to the traditional information gathered by the USDA regarding co-ops that the following data be gathered: expand research to include co-ops in all sectors; identify the sectors in rural areas which show the most potential for growth for cooperative businesses; compare the sustainability of cooperative businesses to other forms of business; measure

the economic impact of cooperatives in each state; develop a measure for noneconomic benefits of cooperatives, community cohesiveness, citizen participation, growth in other sectors and community improvement. I don't think we ever see the whole impact, the total impact, that co-ops have in communities.

Also, I know it was alluded to earlier -- actually, mine's an illusion. This isn't -- oh, forget it. I think we should evaluate the effect of gentrification in co-ops; identify the resources leveraged per dollar invested in co-ops; determine the rate of growth or decline in the co-op arena for each sector; again identify how co-ops access capital; and how do we compare internationally? Our structures, the governance, the economic impact, et cetera.

Identify the social and economic conditions which cause rural citizens to respond to the cooperative model as an opportunity; and regarding the co-ops incorporating under new state statutes similar to Minnesota 308(b), what types of cooperatives incorporate under these new statutes? What are the scale of the cooperatives incorporating there, the revenue generated, employees, geographical location? What's the percentage of nontraditional investment, composition of the board of directors, impact of the new generation co-ops on traditional co-ops?

We'll be looking in Indiana at our cooperative law, and those are questions that have been posed and, you know, in what direction do we go, and we're actually getting

ready to undertake our own research activity to kind of identify those things, but they would be very helpful.

So I'd really like to thank you for your time. We look forward to the results of this research. It will be very, very helpful in our endeavors on a daily basis, and, you know, it will benefit us all both locally in the State of Indiana and collectively as a cooperative world. That's all I really have.

MS. PURCELL: Thank you. Well, it seems like you've already done a lot of our work in carving out the details, and we thank you for that.

MS. CONLEY: Sure.

MR. DUNN: Deb, from your perspective working at the ground level, we really have a new generation of people out in rural areas that think decidedly differently and were raised decidedly differently than those of us in my generation and my parents' generations, how do you see the receptivity of ideas cooperative among the up-and-coming leaders? Is it strong? Is it weak? Do we have a job to do there?

MS. CONLEY: I think we do have a job to do there. I think we have an educational component that is really lacking, and that's something that we're really focusing on in the state.

The new generation that is familiar with the cooperative model or has in some other way worked collectively really has an easy time grasping this and

moving forward with it, but folks who are very rugged individualists and, you know, Gen-Xers are a lot more -- they're a lot more resistant to the model is what we're finding, and so I really believe that we have a lot of education to do.

I think that there's a gap definitely between the older generations that really know what co-ops are and functioned in co-ops and are used to that model and the newer generations that haven't seen it to be tremendously effective, and quite honestly in our state, there just isn't a tremendous presence of co-ops, so they just don't -- they aren't that familiar with it.

MS. PURCELL: Is there enough data out there, and is the new generation far enough developed I guess my question would be in your mind for the rugged individuals who want to set up their own businesses and go their own way versus some folks that have gotten together and worked cooperatively? Do you think enough time has passed in that generation? Is there enough data out there to kind of do an analysis and a comparison there?

MS. CONLEY: I think that's a really good question. I'm not sure if enough time has passed. There may be. I mean, there may be because of the fact that I think the rugged individualists are finding that they can only go so far individually, and so they might be up against that wall where they could answer that better at this time.

MS. PURCELL: Interesting answer.

Anyone else?

MR. WELLS: Yes. You mentioned the whole list of possible topics specific to your work as a center. One of the things that, you know, I think about is, from the education standpoint, is there a need for developmental educational research about the co-op model? It seems like we're missing younger people in our process. I'd just like from a development center perspective is there a need to have a little bit of a focus on educational delivery or access or the whole area there?

MS. CONLEY: Absolutely. Our one other person in the center had the opportunity to go talk to a group of young people at the MidAmerica Council Cooperative Youth CampOut. I don't remember what the name of it was, but he got to present, and one of the things that he came back with was that the kids didn't know before they came there what co-ops were. They didn't understand the structure. They didn't know anything about it, and I think that that's definitely an area that we need to look at.

And if we could just get it into the public school systems as a viable business model, at least some familiarity would be a great start. And I know we had a presentation here about the rural education or agricultural education piece, and I don't know if that would fit in there somehow since there's already a method to kind of access the schools if maybe that would be someplace that it could go.

MR. WELLS: Well, it seems to me that technology allows itself of delivering to young people in a variety of ways. Even through iPods.

MS. CONLEY: Yes. Yes, we had actually talked about maybe doing a project with either Future Farmers or 4-H about having them create a co-op, kind of a virtual co-op and really working through that model with them so that we could demonstrate that in the state, so that might be another avenue.

MS. PURCELL: Thank you very much.

MS. CONLEY: Thank you.

MR. DUNN: Thank you, Deb.

Deb talked about rugged individualists, so with that, Bill Patrie.

(Laughter.)

MR. DUNN: Go to Enterprise Center and a whole string of other organizations that we could probably attach him to.

MR. PATRIE: Thank you. I will save everybody time, and I really look forward to your questions, so save your questions. I have seven items of research that I'd like to see you undertake.

First, to start with, I want to focus on the aspect of human cooperation rather than the legal form of cooperatives. I think we sometimes get lost in what we're looking at. What are we looking at? The important thing is

how human beings cooperate to make their lives better rather than all these fine nuances of legalities.

The first point to make is that there's a very thin portion of the American population that even knows what we're talking about when we talk about human cooperation. Researchers estimate that about 13 percent of American citizens are born as cooperators. That's their first instinct to solve problems, and those of us in this room represent those 13 percent. We're self-selected. We come a long way to talk about it. We're not the audience.

The audience is the 63 percent of the American population that joins cooperatives, that sees the work that others have done and joins those cooperatives, and they do so, as researchers say, because they're intolerant reciprocators. Intolerant means that they won't allow free-riding, they won't be taken advantage of, but they will reciprocate. They will see that the cooperative makes sense to them and it gives them a benefit.

That's the discipline of a cooperative, and we need to understand that discipline, and I'll get to that issue in a second. So I don't think it's important that we treat cooperatives as a sacred thing or a C-Corporation as a sacred thing, but what is sacred is the right of human beings to organize together for mutual benefit. I think we agree with that. That's what democracy is about.

First, I'd urge two case studies on recent conversions. The one is Dakota Growers Pasta Cooperative

converted from a cooperative to a C-Corporation, and the other that I think would be very interesting for USDA to research and study is the Saskatchewan Wheat Pool, which went through a very controversial -- both are still controversial conversions, and what have been the consequences? What were the motives of those conversions? What were the mechanics of those conversions? They're not simple things to do.

And then what is the aftermath? What has happened afterwards? On of the questions you were talking about earlier, liquidity, is the stock more liquid now than it was when it was a conversion? What about access to equity investments from others? Has that improved or gotten worse or about the same?

I'd also urge USDA to study two other conversions the other way, from C-Corporations to cooperatives. One in my home state, American Crystal Sugar, maybe it's been studied, but I think it would be interesting to see what has been the long-term effect of those beet growers who bought American Crystal Sugar and what did they go through and what has been the history, the performance history, of that cooperative?

The other one which might seem strange to some is the conversion of U.S. West subscriber lines, telephone lines, to cooperative lines. Fifteen cooperatives and telephone companies in North Dakota bought U.S. West

subscriber lines and converted it and have been operating it now for almost 10 years.

And I think we can learn a lot because we have operating history before and after what happened to the cost of service. Did we in fact reduce the cost of service to the subscriber? Is the technology better or worse than when U.S. West operated those companies?

And then there are two other studies I think would be very helpful. Both of these would also be in my home state. One is Spring Wheat Bakers, the Spring Wheat Bakers Cooperative, and the other is North American Bison Cooperative. These are spectacular studies in that they have some negative outcomes. Collectively, between the two of those companies, they have lost close to \$50 million in farmer dollars, and that has gotten everybody's attention.

A lot of people are subscribing the reasons for their struggles as because they are cooperative as if that contributed to the problems they had, and then subsequently saying therefore cooperatives don't work. What is the truth? Let's separate what actually happened in each of those two very unique distinguished companies. They were very aggressive, very bold. I think it would be interesting reading. I think the nation's public will be interested in understanding what all happened.

And then lastly, the seventh study I think would be very useful is to understand the psychology of human cooperation as it relates to what we know today by modern

scholars. Robert Kurzban at the University of Pennsylvania has done some interesting work on game theory about why human beings cooperate. We used to say that everything we needed to know about human behavior was defined in the words "enlightened self-interest." Well, that's not true.

We don't know what that means anymore. People do things that are probably not in their economic self-interest and we have trouble explaining that, and I think USDA needs to study the psychology of human cooperation as it relates to rural places and help answer the question why can really intelligent people form a board and do really dumb things.

You know, we need to understand what goes on, and that's not just in cooperatives. When we look at companies that have recently failed, how did that happen? What was the psychological process that destroyed economic benefit? And that information is out there; we just haven't paid attention to it.

I'm from a very rural place. I grew up on a farm and we raised animals. We really knew a lot more about our animals than we knew about how human beings behave in groups, and it's time we get caught up.

The very nature of our public meeting today is that we believe that human cooperation can make our lives better in America, and that's really one of the founding principles of this country, and if you study these seven issues, I think you will make Benjamin Franklin proud when

he helped form the United States of America. I'd be glad to answer your questions.

MS. PURCELL: First of all, let me thank you for your suggestions and I want to take you up on one right away, the North American Bison. In fact, that's one that our staff picked out as a research project, and our delay has been me asking you for some assistance in that, so I'll ask you for that now and maybe we can get that project underway.

Also one that's kind of interesting to me because of a former life is the U.S. West conversion to co-ops, and I bet you I can tell you what's happened to cost of service and quality of service just knowing how well cooperatives do business there, but I think that would be an interesting research project as well and also help one of our sister agencies within rural development.

MR. PATRIE: I agree. I meant to say to the extent that I'm in North Dakota, I'm a prejudiced academic. I can't say, you know, here's what happened. I think I could accurately do that, but no one would believe me because I have a stake in that, and it's going to take USDA's help to study these organizations from some distance, and even in a North Dakota institution, there are political pressures that affect us all, and so it would be very helpful.

And of course, if I start talking about the telephone cooperatives, I would be bragging instantly. It

is remarkable what they've accomplished, but the rest of the world doesn't know it, and I think highlighting that is a rightful role of USDA.

MR. THOMAS: Your comment about board failure and so forth is an interesting one to me, and I think we have boards comprised of farmers being farmers and knowing full well what they're doing and so forth where all of a sudden you're now faced with business and corporate decisions, and they're tough, but even if they knew what they were doing, to discipline themselves and their fellow farmers to do so, you have to make these cold, hard decisions specifically as from a business point of view.

So the makeup of that board is very important. We might do well to emphasize more of an outside business background type of thing. Would you agree?

MR. PATRIE: I think there -- I agree that we need research on the subject. I have two minds on that one issue. One is farmers are smarter than you think and they're dumber than you think, and it doesn't have anything to do with them being farmers. We have a coal gasification plant in North Dakota. It cost \$2 billion to build. It produces synthetic natural gas. It's an amazing operation that has been profitable since the farmers have owned it through Basin Electric, and it's run by farmers, and that amazes me. And they have hired the chemists and they have hired the talent to run it, and they do have outside advisers that are capable. The telephone

cooperatives I mentioned run extremely sophisticated companies, and they're farmers, and they hire the talent to do it.

Yet, we have farmers who make such bone-headed decisions in the board room that it leaves you breathless, so what's the difference? And that's what I think we need to understand. Why do good boards, why did the Enron board -- they're, as the book says, the smartest guys in the room. They're very smart. Very dumb decisions. What is causing that behavior, and how can we learn as cooperatives when it's happening to us?

We pride ourselves in the rural electric family that we believe in board training. We spend lots of money on it, but the boards that need the training often don't get it, and why is that, and how can we make it turn that situation around? We need research on that.

MR. THOMAS: Thank you.

MS. PURCELL: Thank you.

MR. DUNN: Thank you. And last before break, Paul Darby, Southern States Cooperative Foundation.

MR. DARBY: Good morning, all. We very much appreciate the opportunity to share some thoughts about cooperative research. I think this is the first time that at least I remember when you've asked for input on co-op research. That's remarkable in itself, and it shows the new enlightenment at the Department, so congratulations.

I think you know about what the Southern States Cooperative Foundation is and the fact that we do provide hands-on technical assistance. Our mission is real simple, to be a committed partner in building profitable farmer-based enterprises that sustain our rural communities. We're sponsored by the Southern States Cooperative, which gives us access to some very good talent at very senior levels of a billion dollar supply cooperative, and we take advantage of that at every opportunity.

We've worked with groups in North Carolina, Kentucky, Virginia, West Virginia, Georgia over the last six years, and we have some ideas that we think may be helpful. We've worked with cooperative agreements, rural business enterprise grants, rural co-op grants with USDA.

One of the first issues that we think would merit further study is how can producers truly access the equity in their farms for value-added business development without selling out. That is an issue that we bump up against every single day.

Equity capital is absolutely a significant issue, and Jean-Mari was very correct. It's not capital, it's equity capital. Now, for a group of producers in a start-up enterprise, it's even more difficult even though each of these individuals very likely is successful in their farming operation. Many of them are small, but many of them have developed a niche market and are very successful.

They may have millions and millions of dollars in assets on that farm, and yet, because they either have a loan with a commercial bank or farm credit and those assets are part of the collateral, they're not able to touch those, so there's absolutely an issue there that needs to be looked at.

Now USDA has tried to deal with the issue of producer equity, lowering that requirement down in both BNI and in your energy programs, but the fact is lenders still have that high-threshold equity requirement. It can be as high as 55 or 60 percent. So even though you have a program there that's to address that, because you're counting on a commercial lender being a partner, that doesn't happen, and they don't step up to the plate, and sometimes they will actually back away from the plate.

A second issue, and it's been talked about, why are cooperatives converting to stock corps and LLCs, and Bill is absolutely right. What happened with the Pasta co-op in North Dakota would be a phenomenal case study, and there's a lot to be learned there, but it needs to be done sooner than later because the further away from that process, the more people are going to be shaded by what they perceived to happen, not what really happened.

But beyond realizing the value of a market niche or brand, there's probably some more basic issues that need to be explored there, so we would urge that to be a research topic.

A third one, why are new value-added enterprises being developed outside the co-op model. We've got one very specific one. It's a biodiesel project in North Carolina that we've been working with for three years. It's Atlantic Bioenergy. The leadership of that project from day one wanted it to be a cooperative, but there were roadblock after roadblock after roadblock that prevented it from being a cooperative.

First off, North Carolina's law says to be a member of a cooperative, to be an owner, be part of that governance, you must be an agricultural producer. That immediately locked out the Golden Leaf Foundation which wanted to put \$5 million equity in that project. They wanted to be a part of the governance structure, and they couldn't under a cooperative scenario.

There were agribusiness investors in North Carolina that wanted to be a part of that ownership structure. They couldn't be involved. Some of them could shoehorn it through the back door. They owned some land. They had a tobacco quota. They would have had ways that even under fairly conservative structures they would have been able to do it, but mostly they couldn't do that, so that group had to go to an LLC structure.

Now there are lots of issues about public directors and patronage. That group also decided not to build a soybean crushing plant, which would have been an ideal feedstock going into the biodiesel plant.

Costs and time. It would have taken three years and another \$40 million to put up a crush plant. The time is now to get those plants online, so they had to make a business decision to say okay, even if we could define a structure for producers, it didn't meet the other tests.

Now there is a fourth issue, and I'll go to it quickly. There's also the example of a group of producers deciding to establish a traditional cooperative, not a new generation cooperative today. Why did they do it? That happened right here in our state of Virginia, the Virginia Poultry Growers cooperative down in Hinton.

A hundred and forty-one producers, most of whom had never been members of a cooperative. Some had. Some were members of the electric co-op. Some were members of the dairy co-op, but a majority of those people had not been part of a cooperative. They chose to establish a cooperative. Now why? We think there's some real interesting things to study if you do a case study of that group.

Now Virginia's cooperative law has a wonderful little provision that a lot of states don't have and that is that they require public directors. There are three public directors on the Poultry Growers Cooperative board, one from banking, one from a university background, a teacher, and the third is actually a marketing partner for Value-Added Products, and that third firm made a multi-million dollar equity investment in that cooperative.

Now they couldn't be a Class A member. They had to buy preferred stock, but because of that provision in state law, they could be a part of the governance structure. And that really is the key for a lot of companies and individuals that want to invest. And there's a lot of stories and there's probably a lot more history there.

That cooperative also is interesting from the standpoint that it was a startup, and in six months and six days, it went from an idea to operation and processed their first turkey. It's also gone from zero sales to it will be a \$100 million plus company this year. That's staggering.

There is a whole area of research about why customers want to deal with that cooperative and why they didn't deal with the predecessor company that shut down that plant, and that probably gets to what Paul Hazen was saying about people know and trust a producer-owned organization. They believe it represents quality, but that's another area of that overall case study.

We would certainly, as Bill said, be very willing to be a collaborator on research, to share anything that we know. We think there is certainly value in USDA not simply going to a university, which is kind of what's been the case in the past, but bringing in people with boots on the ground from the centers to collaborate on a bigger project, working with the trade groups that represent cooperatives and really making this a fairly broad-focused effort.

We certainly applaud you for taking the time to pull us all together and look forward to seeing what you intend to roll out after the first of the fiscal year.

MS. PURCELL: Thanks. Any questions?

MR. DARBY: Questions?

MR. DUNN: One of the principal themes in what you're talking about and a couple of other of our speakers have talked about is really what it is that defines the cooperativeness of an organization. We've traditionally thought that what defines it is adherence to, you know, the strict cooperative principals.

Notions of outside equity have been viewed as pushing against that, and as we look at, you know, Wyoming laws and Minnesota laws and some of the other laws, we're seeing that that organization that we call a cooperative is now taking on a decidedly different character. Is there a threshold beyond which we've lost something that defines cooperativeness as a concept, and what is that concept, and is it something we need to be concerned about?

MR. DARBY: I think it absolutely is something that you need to be concerned about. In the case of the LLC in North Carolina, Atlantic Bioenergy, the requirement of both Golden Leaf, the \$5 million equity investor, and Farm Credit, which is likely to be the lead lender, is that there be 51 percent farmer ownership and control, which in fact will mean that there is control in the producers.

I think losing that control, moving it outside the producer base is problematic down the road. You could have a board of directors saying, you know, it really doesn't make sense that we're doing it this way, so we're going to in fact propose changes, and as has been seen elsewhere with cooperatives converting to stock corps, there's a pretty good chance they can convince producers to act in their economic self-interest short-term to do that, so I think you're very right to be concerned about that.

MR. THOMAS: Paul, as you know, I'm familiar with Virginia Turkey Growers, and I'm curious. The driver of that situation was the closing of the plant. And did all of the -- I don't know -- it was 130, 140 individual growers sign up for the cooperative?

MR. DARBY: Peter, they did indeed.

MR. THOMAS: Yes. It was all the present suppliers to the plant basically that --

MR. DARBY: There were -- but early on there were producers who left and became suppliers to Cargill, a handful. Those same people are wanting to become members because this cooperative has not just processed turkeys and sold the meat; they're doing a lot of things. They're providing healthcare coverage for all their members and their families as part of a much larger group.

They have established investment opportunities that a lot of cooperatives have in preferred stock, but other opportunities that members can take advantage of, so I

think there -- there's a waiting list right now I think of 40 growers that want to become members.

There are lessons to be learned in the way that this cooperative set up a grower council that basically recommends to the board what the policy should be with regard to what growers need to do to continue to supply to the cooperative, and they did that day one.

The very first meeting they said we've got to get some growers together to start working on the marketing agreement and the roles and responsibilities, and that simply doesn't happen in an awful lot of businesses that are in the protein business.

MR. DUNN: Paul, thank you.

MS. PURCELL: Thank you very much.

MR. DARBY: Thank you. Fifteen minutes used.

MS. PURCELL: Before we go to break, I just wanted to not only thank the panels that have been up so far, and so after this point and as we go through all the next presentations, we've kind of limited it to us asking questions, but at the end of the day, for anyone who does want to stay throughout the day, I would like to throw it open to a discussion of everyone of any of the thoughts or ideas that have been heard or discussed today.

So if anybody does want to stay through the whole day and discuss things that have been said either by you or by other folks and get into a bigger larger discussion, we'll be happy to do that, but I did want to point out that

that opportunity is available for those that will be with us toward the end of the day.

MR. DUNN: A couple of housekeeping matters. We'll pick back up at 10:45. Bathrooms are adjoining the patio which is just outside the door to your left. Women's is immediately to the right around the corner. Men's is on the other side. If you want coffee or refreshments, go out the door to your left. There's a curved stairway that goes down near the entrance. It takes you to a little cafeteria downstairs.

MR. THOMAS: Just follow me.

(Laughter.)

MR. DUNN: Also, most of the research staff of the cooperatives program is here. I hope all of you, our guests, will be able to have the opportunity to exchange and have some discussion and meet some of the folks that you haven't met before. Let's sort of make this a good exercise in partnering and collaborating while we're here. So we'll see you all in about 25 minutes.

(Whereupon, a short recess was taken.)

MR. DUNN: Mike Boland from Kansas State University, kind of representing the NCERA-194 group.

MR. BOLAND: Thank you for providing the opportunity to make a few remarks about the research needs of rural cooperatives and the business and organizational challenges. I think a lot of things I've got to say echo what we've heard this morning. I'm currently

serving as president of NC -- it used to be NCL-194, but USDA has gone to a new nomenclature, so we're now NCERA-194, which is the organization of land grant faculty doing research on cooperatives.

Over the past three years, this organization has seen a resurgence in membership with attendance at its annual meetings the last two years being among the highest. And what's sort of ironic is that a bunch of the new faculty who have been researching cooperatives have kind of not tied in with USDA, NCS, and other organizations as was the case in the past.

And I think Bill Patrie talked about a new generation of people in rural communities this morning. I think that there's certainly a new generation of faculty working on cooperatives, and many of these have interests broader than just farmer cooperatives.

I've got a longer paper that I sent to John, and I'm only going to read from parts of it here that my remarks were focused on three aspects of research on cooperatives.

In the paper, I present some prehistorical data on land grant universities and the role of research teaching and extension, and then I also described some current resources available for research on land grant universities that come out of the National Food and Agribusiness Management Education Commission, which I was the co-chair of the last two years for USDA, so kind of talk about some of the capacity for doing research.

And then finally the things I want to talk about in the short period here today is a short overview of what I perceive the needs are for research based on my discussions with the members of NCERA over the past few weeks. And again, in the interest of time, this is going to reflect portions from my printed remarks, and John Dunn will have the longer set.

The current need for research that in visiting with the 25 or 30 members of NCERA-194 are again the things that we've heard about this morning. The two big things as I related to is equity management. I think that's something that we've heard all the speakers starting with Mr. Dorr this morning talking about that.

One of the studies we really need is information on existing equity management programs that are used by cooperatives, because we have a lot of cooperatives looking at the age of patron, involving funds, the different types out there, but USDA did a similar study about 15 years ago on this particular topic.

But we really need an inventory of what's being done out there in terms of those type of programs because we are seeing if you look at state by state, we see different states using different programs, and a lot of those are dictated by the specialists working in that state, the education that we see from USDA.

But I think we would need to know just a good inventory of what's being used and what some of the trends

are over time because these do represent an awful lot of wealth in rural areas, and as Mr. Dorr has spoken at length over the last several years, there's a lot of untapped equity in rural America that we just don't have access to.

Inherent in these research topics is the need for information on finance, governance, and strategic thinking, but among the survey work -- and again, I want to emphasize with the survey work, typically, they're not very good unless you get a strong response rate, and one of the things that -- there's been a lot of good work done at USDA-RBCS, but sometimes you don't get the strong response rates as you'd like.

And there are ways that farmers respond and ask surveys. There's people that respond to census and manufacturing surveys done at the Department of Commerce, and I think that any type of research like this that involves surveys, I think building a broad coalition and so forth to try to get a strong response rate and break it out by asset size, type of cooperatives, geographic location, et cetera, can be very valuable in this area.

A second topic of research is with regard to outside equity, which we've heard a lot about this morning. We need some baseline information on how many cooperatives access outside equity, the changes in governance and organizational structure, and how this capital is being used, and Jean-Mari it sounds like is doing some of that, but it's pretty difficult to keep track of all the press

releases that have been written in the past two years by cooperatives that are undergoing organizational changes. I think a broad inventory of that would really help in getting us some baseline data on this topic.

There's been some discussion this morning about some of the economic impact work that we need done on cooperatives, and certainly those are valuable research tools. I think there is sometimes the census and manufacturing data that's done every five years.

There may be a way in that to put a variable that firms just check off if they're a cooperative or not a cooperative, and every five years companies report this data. They report the salary information. They report capital expenditures. They report depreciation. They report sales in a variable that's similar to what we call value-added in economics.

But maybe there's a way to work with the Department of Commerce to help collect some of that data and have a variable created that allows it to be reported as a cooperative or not, and that would help get us some of this economic impact data that's been discussed.

These are just two types of research that we believe is urgently needed. There are other members of NCERA-194 that have different needs, but these two really were head and shoulders above the other things that people talked about.

Again, as I talked about, we need strong response rates. A lot of this involves intensive survey work, but the good thing is that USDA has a good reputation with people and they've got the contacts, and one of the things I think that's been unique about RBCS relative to other USDA agencies is there's always been a strong relationship between the land grant universities and USDA-RBCS.

And I think that's something that's very unique to many USDA agencies that lament the fact that we don't have as good ties with universities. I think there are a lot of good ties that exist these days, and I think that's a good thing.

The last thing that I heard several people mention is that we need to get the general cooperatives back and running again, and it's a good way to report some of the research that's been done on cooperatives and acquaint people with what's been done.

Again, there's a new generation of faculty that are involved in NCERA-194. They're probably not as tied into USDA as some of the previous generation of faculty was, but I think there's things we can do to get them involved.

The last point I want to make is that everybody that I talked to ensured that if there is funding available for research, make sure it's competitive.

And I think as I said, there are a lot of new faculty that may not be on the radar screens of some folks, but they're eager to do research on cooperatives, they're

eager to be connected, and the good thing is these new faculty have got explicit appointments in research as opposed to extension and teaching, and so they have resources that are devoted to research that they're not spread as thin as other faculty, and I think that's a good thing.

So thank you for providing the opportunity to speak on behalf of NCERA-194. And I've left the remainder part of my time to answer questions that you may have about our organization or any of my remarks.

MS. PURCELL: Thank you. How would you recommend that we get a better partnership going with some of the new faculty in the university?

MR. BOLAND: Well, a lot of us are economists, and money works when it comes to profits agreements and other things.

(Laughter.)

MR. DUNN: I think they're on to us now.

MR. BOLAND: I do think we need to do a better job getting folks committed to organizations like NCS. There used to be a lot of us who worked with the nice program and other things that were involved. There's organizations of aid that I think some of them are getting involved with.

A lot of it, though, is that there's a, you know, help peer review on things. You know, a lot times you've got grants you need help with peer review on. A lot of

times you've got -- maybe there's internal projects that you need to get peer-reviewed.

I think that there are younger people -- I don't want to say they take those things more seriously, but they're looking to be involved, and so when those opportunities come along, they're more inclined to say yes as opposed to no because they've got a full plate, and so I think that there's just a lot of people that are looking to be connected somehow, and sometimes those are low-lying fruit that you can take advantage of and get them hooked in.

Certainly let them review on the general cooperatives, for example. I think a lot of the -- you know, I've been a member or have gotten a journal for 10 years and I've never been asked to review for it. You know, that's something I would do, and there's a lot of other folks I think that would be in that same perspective.

MR. DUNN: How can we go about identifying who these folks are that have the co-op interest? Because they're clearly flying under a lot of radar screens.

MR. BOLAND: Yes, and a lot of them are new hires in the last five years I would argue, and they're not hired into positions that say co-op, but they have an interest, you know, to work for people like Brick, Stetson & Davis, and so they've got a co-op interest, but they're hired into agribusiness jobs, but the reality is, I mean, if you're looking for something kind of fun to do in agribusiness,

co-ops are a fun thing to do research on.

And I can get you a list, John, if you want. I mean, we've got NCERA-194 membership, and I can procure a database for you with contacts and e-mails and so forth. I'd be glad to do that on behalf of our organization.

MR. DUNN: Good. I appreciate that.

MS. PURCELL: One of the things that we've been kicking around, of course, with the federal government, oftentimes, things aren't easy to do, but maybe take a couple of our vacant positions and have like a revolving internship or fellowship maybe with folks at the university. Is that something you think some of your staff might be interested in?

MR. BOLAND: Yes. CSREES does that I know. You know, most people would argue that they sort of like to be going to D.C. for six months or a year. They wouldn't want to live there, but it would be kind of a fun place to go and work for a while. You know, that's something I'd be glad to -- we've got our annual meeting in November. It's something I'd be glad to follow up with you on and just gauge the interest on that.

Many faculty these days are on nine-month appointments, and so they're looking for things that fund the three months of their time, and a lot in fact are teaching one semester, so it's not like just summertime when they've got three months.

They could make it, you know, January to March type, or folks that are on a semester or something, because I know the summers may not be convenient for you folks to bring people in for three months, but most new faculty hired these days are on nine months and they're looking for things to do for the three months of their time, and I would think that would be something that we'd have some people that have an interest in.

MR. STAFFORD: More than a sabbatical-type of thing then. You're just talking about a temporary --

MR. BOLAND: Yes. I think people with three or six months -- these CSREES fellowships I know are six months sometimes or a year. If that's what you've got in mind, I think that's, you know, a length of time that folks could think about something like that and get some release time.

MR. WELLS: Michael, there's an awful lot of researchers that's done research that ends up just sitting on shelves in paper form. What are your thoughts on, you know, dissemination methods that we could do better research and make it more visible?

MR. BOLAND: You know, one of the things we've done, I did a number of cooperative agreements in the 1990s when we had reports, but, you know, there was never a way to post it on USDA's website. You've got a big website with all the work that you folks do. There just never seemed to be a good way. We'd send things in on a CD, and it just -- and again, technology has come a long way since the days

when you guys had funding for cooperative agreements, but you guys do fund things, and, you know, you've got a website I think.

The argument I was making -- I don't have any comments. You just enforce this on people. Tell them look, you owe us a two-page whatever it is and, you know, we're not going to pass your -- you know, you've got that form due on the audit at the end of this thing, we're not going to sign off on that unless you deliver this, and I'd make people commit to write something for *Rural Cooperatives*. I mean, you guys did that with us on two things, and there's nothing like having a little bit of an enforcement mechanism.

You can demand more of us. There's nothing wrong with that, and, you know, I think people will respond to that, so there's nothing wrong with making us write things for *Rural Cooperatives* or other things, and I think we can get that done, so just demand it. I mean, I don't think there's anything wrong with that.

MR. DUNN: I appreciate that.

MS. PURCELL: Thank you.

MR. BOLAND: Thanks for having us down, and, John, I've got some additional edits, so I'll get you a clean copy of that Gross file that I sent you yesterday, and you can use that as you see fit.

MR. DUNN: Okay. Excellent. So everybody knows, I will be -- we will be putting up everybody's submissions

on the web, so everybody's going to be able to access them electronically. Thank you.

Next, an unfamiliar face, Randy Torgerson.

MR. TORGERSON: Keeping things properly positive here, just piggybacking on Mike Boland's comment, I'd like to tell you that I'm a product of Intergovernmental Personnel Exchange Act. I came in from the University of Missouri. I spent a year and a half in the AMS, Ag Marketing Service, and then a short-term assignment became longer, and I spent 27 years in Co-op Services, so that is a program, Bobbie, that does work, and Pete, and it should be seriously explored.

I have a statement that I've submitted. I'll highlight a few things, quite a few as a matter of fact, but not all, and I hope to share some content with you that I hope is meaningful.

I think as we look at the role of farmer cooperatives in the United States and others have suggested this, things are changing dramatically as they must, and to keep pace with the business world as well as with the economic environment in which cooperatives are finding themselves.

It's only however through continued recognition, support, and understanding of farmer cooperatives that they will continue to play a critical role in responding to the changes similar to what has characterized these unique organizations throughout the country's history.

We feel that cooperatives can continue to vitalize and support American agriculture and its rural communities in these times, also times of opportunity, but only if the strengths and potentials are captured and preserved.

Among other things, this requires very thoughtful and creative assessments of efforts to promote practices and structures that deviate from accepted cooperative norms of operation. It also requires an imaginative leadership from institutions that are well-suited to make assessments, provide vital information and assistance to those who wish to create and use strong cooperatives as well as offering lessons from their extraordinary performance in American agriculture and rural communities.

Now one such institution that has a very strong history in doing this for over three quarters of a century are in fact the CS programs in the department, and I speak today in my statement to urge that the foundations of USDA's several roles in serving creative and growing in effective cooperatives be revitalized.

This report here of *Rural Cooperative Publications'* catalog in the department I think contains many studies that have been distributed and widely used not only in this country but worldwide.

This component of USDA represents a very unique institutional support structure offering a bundle of services and expertise with a capacity unlike any other found in federal government. This program of service needs

to be strengthened and given effective administrative staffing and budget support if it is to be sustained.

Sadly, that support has not been forthcoming in the last 12 years since the agency status for cooperative support was removed and those responsible for carrying out statutory mandate for services to cooperatives including research were moved to the rural development area. The program as a result is languishing at a time of very critical need.

Properly chosen research will help cooperatives and their members meet these needs by responding to major changes in agriculture and rural America. It will guide them in continuing to be important contributors to agriculture and to rural communities.

Now I've listed areas of recommended and needed research here in both commodity and functional areas in my statement, and I'll highlight just a few of them.

Commodity-specific studies of structural adjustments and respective industries and sectors are required as a means of understanding the economics of new value-added initiatives but also the attendant effects of these new institutions on commodity marketing in these various sectors, and a few examples I think will highlight this.

The expansion and manufacture of alternative fuels using corn, soybeans, and other crops as well as animal byproducts has greatly altered the patterns of traditional

commodity markets and attendant infrastructure needs. How are cooperatives adjusting to these changes, and what are the needed strategies for remaining viable businesses serving farmer members?

Another area: red meats. Several attempts have been made into processing and marketing red meats. Some like Oregon Natural Beef Cooperative and the pork cooperative at Rantoul, Illinois, have become successful. Others like beef cooperatives in Iowa, ranchers lamb in Texas and a small pork cooperative in Minnesota, and I think Bill Patrie would add efforts by beef producers in North Dakota, have not met with success.

What have been the keys to success or the mistakes made that have led to these different outcomes for livestock producers? Potato growers have recently attempted organization of a North American cooperative to better control supplies. What has been the experience of cooperatives generally in supply control? Does the CWT program by dairy cooperatives provide any guidance for potential success in this endeavor?

Bargaining cooperatives represent grower members and contract negotiations with processors, and they're dealing with major firms and often encounter problems in gaining recognition. Are national legislative remedies required to augment the bargaining process?

Fruit growers historically have used marketing agencies in common as a strategy for better providing access

to large accounts but also substantial savings in administrative costs. What are the essential components of successful operation of marketing agencies in common?

In a similar sector, almond growers in California have benefitted from carving out international markets for nuts at the very time that production has been growing nationally in this country. What can other cooperatives learn from the marketing success of Blue Diamond?

Several organic and natural food producer cooperatives have found success in niche marketing. What have been the ingredients for their success? What relationships exist or can be developed between niche marketing groups and established cooperatives?

The structure of the dairy industry continues to change with more commodity and ingredient production concentrated in western states and production of finished products in the midwest and east. How can they best link? How can they coordinate?

What I'm suggesting here is that we should make no mistake about it. Staff expertise knowledgeable about commodity sectors is essential to problem-solving analysis of these issues facing cooperative businesses.

An excellent example is found in the recently released and widely read publication by Charlie Ling of the dairy program area, the *Dairy Cooperative Growth Challenges: Technology, Ingredients (Proteins) and Equity*

Financing. More studies of this nature should be considered.

There are likewise a number of functional areas of needed research as follows: The theory of cooperation needs to be revisited through examination and updates as have been periodically accomplished in the past. Only if we understand the foundation of cooperatives can we effectively use the principals to capture new opportunities in a changing American agriculture.

Analysis of the role of cooperation in maintaining a producer-driven economic organization of agriculture as opposed to a corporate-dominated one and its impact on rural development, quality of life, leadership development, and contribution to institutional structure in rural areas require some serious examination.

As part of that, a difficult issue is that of addressing cooperative strengths that can be lost if only measures of noncooperative businesses are used to measure cooperative performance, so how do we measure that performance, and how is that differing between IOFs and cooperative forms of businesses?

As we know in the member relations area and governance, educating and informing members is recognized as one of the best ways of building loyalty in supporting cooperatives. However, in large-scale cooperatives, some of them covering several states and in some cases nationally, they encounter member relation challenges, and it raises the

question of what techniques are available to bridge the distance gap and keep members involved.

How do we keep large cooperatives democratic while allowing for a scale of operations that competes with the ADMs, the Cargills, the Dean Foods, and the Smithfields?

I'd like also to suggest that more work on agriculture in the middle requires some attention. Rural sociologists have taken the lead in examining smaller scale choices that capitalize on niche marketing for consumer interests, and those consumer interests are typically found in organic or natural, local and environmentally sensitive approaches to production in marketing using brand strategies.

This work is very congruent to earlier Goldschmidt studies concerning contributions of smaller-scale agriculture, and as we've heard repeatedly here today, marketing a value-added product and the capital-intensive nature of these operations brings up financing issues. What are the best ways of meeting financing needs yet preserve cooperative character of organizations and remain true to cooperative principals?

What are the alternatives to going public when dealing with equity redemption and other restructuring issues? Terry Barr just mentioned to me and I think it's pertinent that research is also needed to respond to the Mackenzie reports of a couple years ago which suggested that cooperatives destroy value.

In the interest of time, I'll bypass a couple of the other functional areas and focus lastly in that area on urgent attention needed to continuing the tabulation and reporting of collected statistics on cooperatives.

More than a two-year gap in annual statistics has occurred, and it's occurred largely because the programming and reformatting system for tabulation was supposed to be delivered to Co-op Services, and it was never met by Rural Development. These statistics are important to a vibrant research program and also to state and national cooperative councils and indeed to other governmental agencies.

Now, when I headed the Cooperative Service in years past, the department was involved in drafting new legislation that paralleled the Cooperative Marketing Act of 1926 for farmers but would have extended a similar bundle of services additionally to nonfarm rural cooperatives. There continues to be an opportunity to provide research, technical assistance, education, and cooperative development resources to meet these needs of this category of recipients.

However, it should not, and I emphasize should not, come at the expense of further diluting services to farmer cooperatives. It should be based on a new legislative mandate.

The ability of Cooperative Service to conduct needed research I'd like to suggest to you folks as an outsider now looking in is under siege. It's under siege

because staffing has diminished to a point where a limited output is not impressive.

It is also under siege because management above the division director level does not understand the research mission. Having not replaced vacancies such as the financial program leader, grains and oils seeds program leader, fruit and vegetable program leader, livestock marketing specialist, cooperative educational specialist, cooperative development specialist, and the assistant deputy administrator positions means that the resource base has been sharply curtailed.

Two minutes. And furthermore other support things have likely been curtailed, and this is really a tragic outcome for one of USDA's most productive and cohesive research and technical assistance providers. My suggestion is if Rural Development can't provide the needed support, the program ought to be shifted to another Undersecretary mission area that indeed would.

In his book Farmers, Cooperatives, and USDA: A History of the Agriculture Cooperative Service, renowned USDA historian Wayne Rasmussen wrote, and I quote, "The Cooperative Marketing Act of '26 might be called the constitution of the Agriculture Cooperative Service. It outlines the duties of the service, but most importantly it provides continuity, just as our federal Constitution provides continuity in our national government.

"For more than six decades, the service, whatever it may have in its title or placed in whatever particular organization, has under law carried out a program of service, research, and education for agriculture cooperatives."

In short, there's a critical need for recapturing this continuity and rebuilding the critical mass necessary for carrying out effective programs.

Thank you for the opportunity to participate in the hearing. I'm glad it's being done, and I'm sharing these comments for the record. Thank you.

MS. PURCELL: Thank you.

MR. TORGERSON: I used my time.

MR. DUNN: Twenty-seconds left.

MR. TORGERSON: All right.

MR. DUNN: Randy, when are you going to finally form an opinion?

(Laughter.)

MR. TORGERSON: You bet.

MS. PURCELL: Thank you.

MR. TORGERSON: Okay.

MR. DUNN: Next up, Audrey Malan with Cooperation Works!

MS. MALAN: Good morning.

MS. PURCELL: Good morning.

MS. MALAN: Good morning. It's really nice to see all of you, and I bring you good tidings from the State of

Wyoming. It's nice to see you in person, though. I'm the executive director of Cooperation Works! It's a national organization comprised of 21 co-op business development centers serving rural communities in 42 states across the country.

Cooperative Development Centers created Cooperation Works! to provide a network to exchange expertise and best practices, provide for professional development, and collaborate on multicenter strategies to increase project success, and I greatly appreciate this opportunity to discuss with you potential topics of co-op research.

As you know, co-ops are deeply rooted in rural communities. They reduce costs, provide services, jobs, increase tax revenues that generate wealth to their member owners. Cooperatives also don't pull up stakes and move overseas for cheaper labor. Co-op business development is a highly effective rural development strategy, and I urge USDA to make a renewed commitment to the development of new cooperative businesses in the U.S. and to undertake co-op research that will facilitate that development.

Cooperatives play a key role in the U.S. economy as we've heard today. Although we don't have the current research on the overall impact on the economy, we do know that there are between 25,000 and 40,000 cooperatives in the U.S. and that the top 100 co-ops alone have assets over \$284 billion.

USDA has researched the economic impact of cooperatives in the states of Wisconsin and Minnesota, as documented in the Rural Business Service Research Reports 196 and 200.

There are 798 cooperatives in the State of Wisconsin representing 2.7 million members and \$5.6 billion in gross sales. Taking into account the multiplier effect, Wisconsin cooperatives support nearly 30,000 full-time jobs and generate almost \$1 billion in total income within the state.

In Minnesota, a little over a third of the total co-ops generate \$6.7 billion in revenues that result in total direct, indirect, and induced impacts of almost \$11 billion in output and a total employment of almost 80,000, but here was the surprise from the two economic impact studies: The economic impact of the co-op business model itself. Locally owned profits in the form of patronage dividends returned to the members and spent in their local economies.

In Wisconsin, the cash patronage refunds and dividends returned to the member owners generate more than \$500 million in additional net income to the state. In Minnesota, the net gain to the economy is \$600 million. Clearly, cooperatives are a highly effective rural development strategy.

One of the most effective federal rural development initiatives ever undertaken was the formation of

rural electric cooperatives. Not only did the lights come on in rural America, but rural communities in partnership with the federal government built some of the most stable businesses in the U.S. economy.

In light of the outrageous Enron scandal and the cost to millions of consumers and thousands of its employees, rural electric co-ops flat transparent businesses owned by their members stand as a beacon of light, integrity, and high economic and community value. The development of rural electric co-ops represented a public-private partnership, private as in the interest of rural communities.

It was a systematic sector-based approach that included the necessary research, technical assistance, capital investment, financial oversight, and ongoing networking support.

The cooperative business development centers of Cooperation Works! have helped develop 388 new businesses owned and controlled by 47,000 members, created more than 5,800 new jobs, and leveraged investment over \$901 million.

The centers receive core funding through the USDA Rural Cooperative Development Grant Program, which enables them to provide the critical technical assistance to stakeholders to start new enterprises. There is no other program or funding source to provide those services.

Investment in the RCDG program is paying back returns to the federal government in the form of new

businesses, new taxes, new jobs, and new wealth for rural residents. There are few federal programs that generate such a high return on investment. The centers of CW through the RCDG program and in partnership with USDA have developed a coordinated national infrastructure to support the development of new co-op businesses.

The weakness of the RCDG program has been at annual funding cycles. Most co-ops take 24 months to get off the ground and may take even longer when working in communities of entrenched poverty. Short-term funding cycles make it difficult to undertake long-term, sector-based systematic approaches. When a center is funded one year and not the next, trained staff must be let go and projects designed to deliver benefits die on the vine.

Additionally, the centers lack the resources to undertake critical research necessary to support more complex sector-based initiatives, and there is often a disconnect between the research academics need to conduct to get tenure and the research required in the field.

I recommend that USDA engage in research that will facilitate the development of strategic sector-based systematic approaches to the development of new co-op businesses.

Here is a simple example. Municipal co-ops are a proven strategy for county and state governments to reduce

costs without reducing services. How often does a strategy like that come around? Municipal co-ops are fairly straightforward organizations, but we lack the research required to build an effective implementation strategy.

The research would go something like researching existing municipal co-ops, assess greatest opportunities to reduce costs, outline models to meet those opportunities, implement pilot programs, and you all know the rest.

Successful implementation of this strategy would bring tangible results for local and state government and a broader appreciation for Co-op Services, but similar strategies should be applied to even more critical aspects of rural life: healthcare, senior care, affordable housing, business retention, job creation, et cetera.

We have developed much of the capacity required to launch sector-specific strategies. We would be willing to work with USDA to identify specific research from which to implement strategic development initiatives key to rural health, wealth, and vitality. Any questions?

MR. DUNN: Audrey, with what you said and what Mike Boland said earlier and a couple other people have talked about is we have all these research assets that are kind of out there operating almost -- still probably operating kind of on their own. How can we begin to bring those together and do a better job of coordinating our research, making sure that we're getting synergies out of it

that we need to? Basically, how can we do a better job of working together?

MS. MALAN: Well, I think the key is a commitment to developing new cooperative businesses and to do it in a strategic way. You know, we've been at this now for a long time. We know what works in co-op development. We know what new businesses need to succeed, and we know that we can be more strategic with our resources.

I don't want to harp on this. I think everyone knows how I feel about this, but the 12-month funding cycles prevent centers from developing the capacity and the momentum to implement long-term strategies, and that's really a problem.

You know, I guess it was what Mr. Boland said. You know, you guys have the dollars if you're buying research, but there really is not a lot of incentive on the part of universities to do the kinds of research we need in the field.

For example, everyone is familiar with the home healthcare model of cooperative care in the State of Wisconsin. This is a dramatic cooperative, dramatically improving people's lives. It's improving the seniors' lives because they get consistent care rather than new people coming in their house every day, and of course it's improved working conditions for the women who are taking care of our elderly people, but we need research. We need to know.

The county initially contracted with independent caregivers. Now they're contracting with cooperative care. They're paying slightly more to contract with cooperative care than they were paying when they did their own contracting.

Now it would be very good to know are the long-term costs lower to the county. The short-term costs may be higher; the long-term costs are lower. You know, this gives us information where we could then go into other counties and begin to build a development strategy.

MS. PURCELL: So I guess your recommendation to us would be to take some cooperative development projects that appear to be working and really -- the newer ones, and really dig into them and see what their strengths are, what their weaknesses are so that we can then maybe perfect the model and move it forward into other parts of the country.

MS. MALAN: That might be one approach. Another is ask a rural sociologist or anthropologist what are the top three major concerns in rural life today. You know, you can design co-op strategies to meet all of those. You know, I think it's more having a strategic orientation and thinking for the long term, implementing pilot projects and then assessing those projects.

But, you know, fundamentally, I think it's a key vision of your organization, your department, to commit to effective development of new cooperative businesses in rural America, and your organization is remarkable. I mean, the

intellectual capital in this organization on cooperatives you see in very few places in the whole world. We have an incredible resource here.

And we as co-op development practitioners, you know, we actually at Cooperation Works!, we're expanding our practitioners. We do a training every year. We just trained 23 brand new co-op development practitioners. You guys are losing your cooperative business development expertise and capacity.

Anyway, it's a subject that all of you happen to know I could talk a lot about, but I would like to see you make a commitment because it is so critical to rural America.

MR. STAFFORD: One thing you said was that you already know how to develop cooperatives. We know what works, what doesn't work. So you're suggesting that all we need to do is research on those sectors that we haven't done? In other words, we have been working primarily in agriculture and --

MS. MALAN: I would say research that was focused on new cooperative business developments. Does that make sense, Tom?

MR. STAFFORD: Partially.

MS. MALAN: You've done research on cooperatives, but on strategic initiatives to replicate, is that going back to the rural electric cooperatives? Now that was a very strategic type of development work. I mean, they came

in with a plan. There was clear financial oversight. There were loans, and there was followup networking support for those new rural electric cooperatives, and they built -- you know, it had remarkable impacts today in rural America. So am I answering your question?

MR. STAFFORD: Partially.

MS. MALAN: It's more of a focus on strategic development rather than just haphazard development, you know, taking a sector and developing a strategy in that sector to benefit the stakeholders.

MS. PURCELL: Thank you.

MR. DUNN: Liz Bailey, from Cooperative Development Foundation.

MS. BAILEY: Thank you.

MR. DUNN: Thank you.

MS. BAILEY: The last one before lunch, so I'll get going. I'm Liz Bailey, executive director in The Cooperative Development Foundation, and I thank you for the opportunity to represent The Cooperative Development Foundation at this hearing where you're soliciting comments how best to strengthen rural cooperative businesses through the research and public policy priorities of the Department of Agriculture.

CDF has been a player in the cooperative philanthropy community for more than 60 years, and it serves as a community foundation for the cooperative found community. Our primary business is the disbursement of

funds through a cluster of modest grant and loan programs, but we're also in the business of expanding public awareness and attracting more financial resources to cooperative development.

CDF applauds the USDA for its longstanding commitment to cooperative research and development, and we appreciate this opportunity to suggest ways to refine that commitment in a way that we believe will leverage additional resources.

I would like to suggest three ways the USDA could adjust its priorities without serious financial consequences and potentially leverage more understanding of cooperatives, new resources for cooperative development, and ultimately the development of new cooperative enterprises.

First, I suggest to focus on research and education that starts with a strong economic research component. Second, I suggest creating an environment that encourages more collaboration with new public and private sector partners. And third, I suggest that USDA make it a priority to have more cooperative development professionals in the field.

First, the focus on research and education. We all know there's a basic lack of understanding about cooperatives in all levels of government, in the business community, in the academic world, in my philanthropic world, and among the general public. Too few understand how

cooperatives function and the role they play in the nation's economy.

We all use anecdotal stories to tell of successful cooperative enterprises, but we don't have access to the kind of aggregated economic data that is routinely used by economic and business analysts to map U.S. economic activity and interpret the data for those who make or influence public policy.

Government, through its support of university research, has traditionally been the source of this kind of basic research, and I'd like to suggest that this should be a major new focus for USDA's research activity. I'm not suggesting research just for the sake of having research. Rather, I envision this research as the foundation of a new and expanded cooperative development agenda.

I like to think of this research as the yeast that makes the bread rise. An old nursery rhyme popped into my head when I was preparing for this, "The House that Jack Built." It takes me back. It started with malt on the floor in the house that's eaten by a rat that's killed by the cat that's worried by a dog that's tossed by a cow who was milked by a maiden and so on and so on. You'll have to refer to your own Google search for the rest of it.

(Laughter.)

MS. BAILEY: The malt in the nursery rhyme started a chain of events that culminated with a happy ending, ironically, a farmer selling his corn. Think of core

economic research as the malt that starts a chain of events that leads to more knowledge about cooperatives, that leads to more interest in cooperative development, that leads to new resources for cooperative development that culminates in yet another happy ending: new and thriving cooperative businesses.

This kind of data would be extremely useful to all of us who are doing outreach and telling the cooperative story to new and expanding audiences. It's also important to have that data that's continually updated. It can't be a one-time snapshot. It's data that needs to be tracked and reported on a regular basis.

I enjoy seeing people's reactions when I point out to them and reveal to them that cooperatives are all around them, but I'm missing an important tool in my toolbox if I can't also steer them towards the solid economic analysis that goes beyond the anecdotal and helps establish the depth and breadth of the cooperative sector's impact on the economy.

My second suggestion is that we need to focus on more collaboration that brings new players to cooperative development. We need an atmosphere that encourages more collaboration with new partners who can bring their networks and their resources to the table.

CDF is one of the handful of foundations that focus on cooperative development. I'm sure my colleagues in the other foundations will agree there's not enough funding

for all the work that could be done and that we receive far more requests for funding than we can accommodate.

An example from CDF's own experiences, our newest grant fund, the MSC mutual service cooperative fund, which makes grants for feasibility studies, educational programming, and technical assistance projects. CDF has been managing the MSC fund for two grant cycles.

In 2004, we had about \$90,000 available for grants. We received 44 applications and almost \$1 million of requests. In 2005, we narrowed the focus thinking that might help solve the problem. We still received over \$300,000 in proposals, three times the funds available.

We will continue to do all we can to expand the resources we have to support cooperative development, but more importantly, we hope to be able to leverage additional resources from outside the traditional cooperative family. Let me give you an example of how we intend to do that.

Several weeks ago, CDF and its MSC fund hosted a public forum called "Cooperative Solutions for Seniors" at which we had experts in home care, senior housing, and senior healthcare share the podium with experts in cooperative home care, cooperative housing, and cooperative healthcare.

We know we started something as we watched the exchange of business cards between panel members, and we hope to translate that into some ongoing collaboration with

some of these experts who now know something new about cooperative development.

We anticipate opportunities for collaborative funding proposals to foundations outside the cooperative world to foundations that focus on workforce issues, on healthcare issues or senior issues, but foundations that have not previously funded cooperative development.

CDF intends to look for opportunities for this kind of collaboration in all of its grant and loan programs, and we hope that our colleagues in the cooperative community will find similar opportunities to bring new partners and new dollars to cooperative development.

We hope the USDA will make collaboration with new partners a higher priority. USDA can take on the mission to educate and engage the economic and rural development researchers and experts in other federal agencies, in places like HHS, HUD, Interior, SBA, and Commerce. We need to help them understand how cooperatives can help them achieve their rural program priorities.

We hope the cooperative development professionals in the field will similarly engage their colleagues in the broader community and economic development arena in joint ventures, and we hope the university researchers will network more effectively across campus and geographic boundaries to do more collaborative research that may include academic experts in fields that would bring valuable

new perspective to research on the cooperative model. I know it's easy to say, harder to do.

How do we capture the interests of these new potential players? I'd like to suggest four key ingredients. We need to be able to provide them with objective data that they can use to validate the economic impact of cooperatives. It's that critical economic research agenda. We need to help them understand the structure of a cooperative business. What makes co-ops different as well as what makes them just like other forms of business?

We need to provide them with examples of best practices of cooperative businesses, and probably hardest, we need to do our homework and learn their priorities. We need to make cooperatives relevant to their needs and their program priorities.

I'm convinced the climate is right for this kind of collaboration which will not only leverage new financial resources but result in new and innovative suggestions for cooperative development.

My last suggestion for USDA is to make it a priority to have cooperative development professionals in the field. We need more good people to choose cooperative development as a career path both in the career ranks of the U.S. Government and in the nonprofit and private sector organizations that work in economic and community development.

If we are successful with the first two priorities I suggested, assembling the data and attracting new cooperative development collaborators, we will need more experts in the field who understand cooperatives, how to form them, and what are the legal, financial, and organizational issues involved with building such a member-owned business.

We also will need more expertise in generating solid feasibility studies and complete business plans without which both equity investment and debt financing will be nearly impossible to get. We already have some good tools to build cooperative development capacity in the field, but we can always use more. Cooperative development professionals have a great resource in the professional development training program that's been developed by Cooperation Works!

We hope that the CW training program will also attract growing numbers of community and economic development professionals who want to collaborate with cooperative development professionals and learn how to effectively create cooperative business enterprises. USDA needs to have a network of field staff in place who understand cooperative development and the wide array of applications of the business model.

I encourage USDA to make cooperative development a priority in the recruiting and training of its career workforce. It would be wonderful to have in-depth

cooperative development expertise on the USDA team in each and every state. Thank you for this opportunity, and I look forward to working with you to implement any of these suggestions, and I welcome your questions.

MR. DUNN: Liz, when you have conversations in meetings in some of the various foundations, funders that have heretofore not really been exposed to the cooperative model and you're putting them together with cooperative experts, what is it about the cooperative form of organization is exciting these folks? What are they?

MS. BAILEY: I think it's the member involvement that's a key critical part of it. In part, it's people are getting awareness of co-ops that they didn't know were co-ops in their midst, which is kind that A-ha experience for starters. You know, they don't realize, they don't think of credit unions as being co-ops.

You know, they know the traditional agricultural model, but they don't think of all the other ways that co-ops work, and I think part of it is well, they see as we've exposed them to some of these successes where they see it say in the home care field where they see something that's working, and then they're intrigued by the results that they see and they want to learn more about the model that gets you there.

So I think it's that results base, which again gets to my point of figuring out what their priorities are and what their needs are. If they're looking for better

ways, higher-quality ways to achieve home care or healthcare or, you know, meet their -- if they're in the senior context, they're looking at the number of seniors and the unavailability of housing to meet that need.

They start there with we've got a problem, and then if you can show them how co-ops have played a role in that, I think that's how you get people in rather than starting strictly with this is what a cooperative is. I think you have to almost have some of those results and that economic data is another where you can demonstrate what role it plays in the economy.

MR. THOMAS: I share your concern as the administrator when we see 3 or 400 applications for a particular grant program and we're only able to fund 120 or 130 of them. You might want to share with us in the future how you score and how you do it if we could come up with a better way to make it equitable, more equitable, so all of them I think would be well-served.

I'm curious, how many other organizations such as your philanthropic organizations are there that have a concentration such as you?

MS. BAILEY: It's a handful really. You have the Cooperative Foundation and the CHS Foundation. Land O'Lakes has a foundation, but what's disbursed there too is the priorities that the trustees establish. Some of them because of the nature of who their members are will have much more of a community-based decision in terms of how they

spend the money. They may not spend it for the broader educational focus.

Other foundations like the Morris Foundation out of the Twin Cities have a scholarship focus exclusively again because they don't have -- none of them have huge resources. We have \$6 million in assets, and our work is all from either the revolving loan fund or endowments so that we have, you know, modest resources to put into it.

It would be wonderful to wake up someday and see some new foundations out there, but that's where I think the challenge isn't so much to wring your hands over how few of us are there but figure out how we can leverage the dollars of the Robert Wood Johnson Foundation and the other places like that who deal in a much, much bigger universe of funding, and to the extent that we can get cooperatives integrated into their priorities, then the sky could be the limit truly if we did our work.

I think the same thing holds with the federal agencies in that there are pockets of dollars that you all could access for your work, and you could have some interesting collaborative initiatives I think too where rather than carrying the burden of home care work here in USDA look to work with the Health and Human Services teams that also have rural health issues on their plate. I think that could produce some marvelous synergies.

MR. WELLS: Liz, from your foundation perspective because you deal with people at the grass roots, where do

people go to find out about cooperative development if you know? Where are they starting?

MS. BAILEY: Google. I think they really do start at Google. Okay? When I realized when we put out our brand announcements, we got inquiries that come in from people we know aren't in our -- we try to get out to the networks that we know, but I think people really do use the internet very effectively to search, or, you know, there are directories of foundations that kind of work, but I think we'll find people interested.

We've always had, and you may get this, too, where you get some applications where they haven't read what our program priorities are. They just saw economic development -- maybe they found us through economic development, and it really doesn't either fit with the focus that we've set for right now.

But they're -- you know, they're desperately looking for that place where they might get some traction. And some search out through the networks that they have where we can get the word out to people who are known quantities or are catalysts themselves for more information.

We'd love to be able to be more of a clearinghouse as we raise the money to update our own website, we'd like to be able to provide links to all of the places that we believe people should also be aware of for funding so that we can make it easier for people who really do need to find

the resources to get there. I think it's a lot about information and educating people.

MR. DUNN: Liz, thank you.

MS. BAILEY: Thank you.

MR. DUNN: Okay. We will adjourn for lunch. Can we reconvene at 1:00? We're running a little ahead. We've got a powerhouse lineup then starting at 1:00 and hopefully have some discussion afterward, so I encourage you all to return. And if you need a guide to any of the fine lunch spots here in USDA, grab a staffer. We've got them here, and they all look alike.

(Whereupon, at 11:47 a.m., the meeting in the above-entitled matter was recessed, to reconvene at 1:00 p.m. this same day, Tuesday, September 27, 2005.)

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A F T E R N O O N S E S S I O N

(1:01 p.m.)

MS. PURCELL: Okay. We will get started. I'll turn it back over to John.

MALE VOICE: And we will obligate him.

MS. PURCELL: Yes, we will. We're obligated to.

MR. DUNN: Welcome back from lunch. I trust everybody ate well. I had some Indian food downstairs that people are going to be -- oh, never mind. First out for this afternoon, Ann Hoyt from the University of Wisconsin and NCBA. Hi, Ann.

MS. HOYT: Hello. It's good to see you all.

MS. PURCELL: Thank you.

MR. DUNN: Good to see you.

MS. HOYT: I've been traveling a lot, so I'm going to read my remarks so I don't lose track, but I wanted to thank you for the opportunity to talk with you today regarding the research needs of rural cooperatives.

As you know, my name is Ann Hoyt. I'm a professor at the University of Wisconsin-Madison and the University of Wisconsin extension where I'm a consumer cooperative specialist. I'm also a chair of the board of directors of the National Cooperative Business Association, and it's important as a professor that I let you know that I'm here representing NCBA and not the University of Wisconsin.

It's appropriate that RBCS conduct these hearings as the service has been the primary federal government

agency that has conducted and supported research on cooperative business for many years. That work has been extensive and has provided value primarily to cooperatives engaged in the production and marketing of agricultural products.

However, as you well know, America's rural communities are changing rapidly as agriculture becomes a more concentrated industry with fewer farmers operating larger farms. At the same time as you've heard today already, many nonfarming Americans are moving to rural areas or establishing second homes there, resulting in a changing population composition and income base for many rural communities.

So I think this is really a good time to step back and reconsider the research role of RBCS and how the dollars invested in research on cooperatives can have the most impact. You've asked today's participants to comment on the business and organizational challenges facing cooperatives.

There are many, as there are for our investor-owned and nonprofit business colleagues. Like many other businesses, cooperatives face challenges related to globalization, human resource management, growth, competition, and production and marketing methods, but in addition, cooperatives face challenges that are uniquely related to being cooperatives, and you've heard several of these mentioned already today.

I feel like I may be an underline to what happened this morning, but I don't think it hurts to repeat some of these. Of course, one of the major challenges is demutualization, and I don't think I need to talk about that.

Another one is member relations, which was mentioned earlier, and the challenge is how to maintain strong member identification and support when the cooperative needs to grow significantly to achieve economies of scale.

A third is capitalization, which we've already heard quite a bit about today. Another that we've heard about are changes in taxation and accounting policies, and the last that I would say is an important one is the challenge of low public awareness of the value and contributions of cooperative businesses, particularly their contributions to local economies.

All of these I would agree with the previous people that have spoken to you are significant challenges that deserve careful research, but from a researcher's perspective, they are really secondary to a far more basic research need facing all cooperatives in the country, and that need grows as you've heard already from the absence of reliable, comparable data on the United States' cooperative movement, both rural and urban.

As you've heard from others this morning, the cooperative business community has limited, solid, research-

based evidence on the true extent of cooperative business in the country. We have reliable information on cooperatives in specific industries, credit unions and rural electric cooperatives, for example, but limited information on purchasing cooperatives, worker-owned co-ops, and the many types of cooperatives that are owned by consumers.

Our most commonly used statistic I use when I talk about being the chair of the NCBA board is that we have 47,000 cooperatives in the United States with 120 million members. That statistic is based on work that was done in 1984. The things that we know since then, the numbers that we've used since then, we're not exactly sure where those numbers come from. They are educated guesses.

We have no comprehensive cooperative statistics on total revenues of the country's cooperatives, on how many people are employed by them, nor how much tax revenue is generated by them. Estimates of total cooperative revenue range from three and a half percent to seven percent of the gross national product.

At the same time, we know that cooperatives have significant market share in individual industries and in individual communities, particularly in rural areas, so we know that cooperative businesses are important on the American economy, but we don't know how important they are.

I think RBCS could make a vital contribution to the cooperative community and an important contribution to the country by focusing its research efforts on establishing

an ongoing method to collect reliable data that measures the economic impact of cooperatives on rural communities in the hope that -- and I wrote this before I sat here; I do think I am repeating points, but I'm hoping that I won't be -- that have already been made today.

In my mind, there are at least eight reasons why it's important that RBCS give serious consideration to focusing and devoting its research, cooperative research dollars, to developing this comprehensive database on cooperative business activities.

We need to accurately understand the size and scope of the United States' cooperative movement. We need to understand the impact of cooperatives on the economy of rural America. We need to be able to accurately assess the economic and social impacts of public policy on cooperative businesses. We need to understand whether this method of conducting business creates benefits that other business forums do not.

We need to discover whether there are cooperative models in urban areas that could provide benefits to rural communities. We need to identify cooperative businesses in urban areas that could be either suppliers to rural cooperatives or consumers of rural cooperatives' goods and services. We need to have a fundamental database from which we would be able to track the growth or decline of cooperative enterprise.

And we need to create a reliable database that will encourage and attract both researchers and funders to the study of American cooperative business. And there's one additional issue that deserves consideration. It's been mentioned earlier, and although I am very aware that your primary focus is on rural America, I hope that you will consider establishing a research effort that includes all of the country's cooperatives, both rural and urban.

There is much to be gained from freely available information about all of the country's cooperatives not the least of which are co-op-to-co-op purchasing and marketing opportunities. Cooperative businesses are growing in many industries and I believe have much to offer the entire country. A comprehensive research effort which would identify the economic impact of cooperatives would help us identify areas in which we might focus our development efforts.

It's been nearly 50 years since the federal government devoted resources to collecting basic data on all types of American cooperatives. I think that's an accurate statistic. I was thinking that that was the work that was done by Florence Parker at the Bureau of Labor Statistics when she collected data on all kinds of cooperatives.

If our estimates of American members of cooperatives are exaggerated by even 100 percent, we would still expect that 60 million citizens are cooperative members. These are all citizens who own and control

businesses that are specifically designed to meet their needs for supplies, for markets, for jobs, for consumer goods, and for services.

In most cases, these are locally owned and locally controlled businesses that keep local resources in local communities. They are among the most democratic of our country's institutions. USDA's resources will be well-spent to work with the country's cooperatives and continuing to work with the country's cooperatives to provide the basic research on all types of cooperatives that's needed to foster the growth of these important actors in the economy.

And I'd be happy to answer any questions or provide any information if you have anything that would be helpful.

MR. DUNN: Thank you, Ann. Putting on your sort of academic hat and looking at what has happened to the research community with respect to cooperatives over the last couple of decades, it's for the most part really weakened, and there's lots of reasons for that, you know, lack of funding, resources being redirected by universities elsewhere. What sorts of things do you see that can turn that around?

MS. HOYT: I was hoping you would ask me that question because Paul Hazen and I met with a very senior professor in the School of Business at the University of Wisconsin to ask that question; you know, how do we get your attention in the business school.

I don't think we have a lot of faculty in the country in business schools that are doing this kind of research, and he said the best thing we could do is have a top journal -- he recommended the *American Economic Review* -- feature an issue on cooperatives and attract a top-flight academic to doing that work, someone that is extremely well-known and to actually make an effort to go out and search the very well-known academics in their fields, the people that are at the top of their game and get them to write on cooperatives and work to attract those people who would then attract others.

And he felt that the academic community is unaware of cooperatives as a business form. This is a faculty member who serves on the board of a credit union and, you know, knows quite a bit about cooperatives in general.

I think that to do that, to attract a nationally known or internationally known scholar to doing cooperative research actually we need this data. We need to have some database that's there that can be adapted to whatever this scholar studies. I think that it's very, very hard to convince a senior faculty member to start a whole new data collection effort.

It's easier with junior faculty, but with junior faculty, you don't get the exposure that you do with seniors, senior faculty, not seniors period, so I thought that was an interesting approach to what we need to get it -- you know, to attract people in the universities, and I

personally think it's a different approach than we've used in the cooperative movement to go after the really top-flight academics.

MS. PURCELL: Would you think that the study that several people including yourself and Paul have recommended on the overall economic on the cooperative movement, that study and the publications and the results which we all expect to be showing a significant monumental impact on the economy, wouldn't you think that that would also be a good tool in getting academic and business leaders more involved in the cooperative movement and thinking along those lines when they see the economic impact that it would have?

MS. HOYT: Absolutely. I completely agree with that, and I think that one of the reasons that especially in the business schools we don't attract faculty is because they're not interested.

MS. PURCELL: Right.

MS. HOYT: And we say all kinds of things about business school faculty, but, you know, they want to do research on businesses that have a big impact, and they don't want to be doing research on something that they think is biwater in the economy, so I think absolutely if we had that information, we would be able to attract people as well.

MS. PURCELL: And promote it properly.

MS. HOYT: Exactly. And we can make a good case that this is really important business to the country and I think to the nature of the country as a democracy.

What I'm finding in my work in doing co-op education is that people are responding much, much more, and I've been doing this for about 20 years, and I'd say in the last five years, people that attend conferences and call us and students that want to study cooperatives are responding to the need to preserve democratic institutions, and I think that's one of the biggest selling points that we have with cooperatives.

MR. WELLS: If we could figure out how to collect the required data, at least to start, where should that dataset reside? Is that within government? Within USDA? Is it a public/private center? What attracts the B schools, others?

MS. HOYT: Access. Access is what attracts them, so it has to be someplace where it's easy to get -- it's easy to -- like the survey of consumer finances. You can get access to it on the web. That's maintained by the government, but what attracts researchers is that you don't have to jump through a lot of hoops to get somebody to give you permission and then you can only use part of the data and so forth, so I think historically that kind of data and access has been maintained by the federal government.

I have another comment that I didn't put in my remarks, but I think -- I don't want to tell you how to function in the government, but I do think that there's an opportunity here because you all have had the research -- sort of the corner on cooperative research for many years, the opportunity to provide leadership to cooperate with other departments who, as you've heard earlier, who really have an interest in serving people through cooperatives and building that data collection effort.

So that were this to be nationwide and both rural and urban, then it would be either a departmental kind of data collection effort. I think that the security of maintaining a database over a long period of time is important, and you don't know whether it would be more secure in a university or in a government office. My experience with the center for cooperatives at Wisconsin is that it would be more secure in the federal government.

MR. DUNN: Ann, I took the timekeeper's prerogative to give you the three minutes that Paul didn't use this morning.

(Laughter.)

MS. HOYT: So I assume that I was fascinating.

(Laughter.)

MR. DUNN: That's why you got three minutes.

MS. HOYT: Thank you very much.

MS. PURCELL: Thank you.

MS. HOYT: Thanks for the opportunity.

MS. PURCELL: Thank you so much.

MR. DUNN: Thank you. Chuck Snyder, National Cooperative Bank.

MR. SNYDER: Thank you very much. I'm very pleased to be here. Any time I get to talk about cooperatives I'm happy, so it is with great pleasure that I appear before you today.

My name is Chuck Snyder. I'm president and CEO of the National Cooperative Bank, and we were started by an act of Congress in 1978 to lend to cooperatives that are outside of the farm credit services as well as the rural utilities.

We were privatized in '81. NCB became a cooperative owned by its member borrowers, and we service the grocery, hardware, franchise cooperatives who are member owners and anchor many of the Main Street stores, whatever is left after Wal-Mart, that still occupy our Main Streets in rural America.

We also serve housing cooperatives that are home to seniors and families in American communities both rural and urban, and community health clinics, assisted living facilities, continued care retirement communities and other healthcare facilities that provide critical and well-meaning support to both rural and urban communities.

In the course of 25 years of providing financing to cooperatives and their members, we have learned many things, including that cooperatives can be excellent credit risks. If you look at our loss ratio in comparison to other

financial institutions, we do very well, and cooperatives generally want to repay you and they want to do the right thing, which is a great thing for a bank.

We have wonderful inspiring stories to tell the way that the cooperatives sustain their members and communities in which they operate, and I'm sure you have heard a dozen of those cooperative stories. The first thing that cooperatives do when they talk, they tell a story about how they have benefitted their community, which is really, really good, but it's also very frustrating because we don't have the research to back up some of those stories.

I am often frustrated when I hear yet another uninformed utterance to the effect that cooperatives don't work. I counter this confidence with some of those stories, but sometimes it's dismissed mainly as being anecdotal, and we need some hard data.

In part, to counter that sort of misunderstanding, NCB annually produces the "Co-op 100," a listing of the past 100 largest cooperatives by revenue, which includes a comparison to the previous year's data book for revenue and assets, and I've included a copy of the 2004 "Co-op 100" which uses 2003 data with my written testimony, and I also have included an advance copy of the 2005 "Co-op 100," which will be released October 3rd.

As the soon to be released "Co-op 100" listing for this year, the country's top cooperatives are a mixture of agricultural supply, marketing cooperatives, grocery,

hardware, lumber distribution, along with a mixture of healthcare, finance, energy, and other cooperatives. Whether these cooperatives are located in rural or urban communities, their impact extends far beyond the borders of which they serve.

From 2003 to 2004, these cooperatives grew both as a group with few exceptions individually. Total revenue grew by 14 percent last year as a total, which I think is very, very strong growth. It shows that America's cooperatives are healthy, at least for the top 100.

The "Co-op 100" is just a piece of evidence annually and over time to the breath and depth and strength of American's cooperative businesses, but is only a small part of the analysis we need to develop to understand the economic and social impact of cooperatives in American communities.

USDA and various universities have provided excellent cooperative case studies and documented cooperative best practices in a variety of settings. Trade associations like the National Rural Electric Cooperative Association, NRECA, and Credit Union National Association, CUNA, and others have done an excellent job of gathering statistics regarding the individual sectors.

We at NCB have sponsored some excellent research on affordable housing cooperatives, but it's very frustrating for me because a cooperative, if it does fail, usually the media will look at that and sometimes call me

and say gee, does that mean that cooperatives no longer work? And that's farthest from the truth.

Like most corporations, cooperatives have life cycles, and you go through that life cycle and there's a lot of change in our economy, in the world, and things change. If you take a look at the *Fortune 500* list today, compare it with that of 40 years ago, you'll see the list is dramatically different, so there's nothing wrong with change.

There's nothing wrong with cooperatives, and we need some basic research which really shows the vibrancy of this sector as well as some of the needs for improvement as well.

Certainly, more of this work needs to be done, but there is another dimension that research needs to examine. We need to determine cooperatives comprehensively. We need to understand the volume of business done by cooperatives in the various sectors and cross-sectors and the impact it has on the U.S. economy as a whole.

We need to understand the role cooperatives play as direct employers in creating certain jobs among their members. We need to understand the role of cooperatives in economic developing and sustaining their immediate communities with a special focus on the differential effect in retaining earnings within those communities.

It is a source of comprehensive focus that will allow us all to build a case and demonstrate convincingly

that cooperatives not only work but work very well, and I urge you to make such a comprehensive research a major focus of the USDA cooperative research agenda. Thank you very much, and if you have any questions, I'll be glad to entertain any.

MS. PURCELL: Well, it certainly sounds like coming from a lender's perspective that you might have some data that's very valuable to us in this effort, and is there any ability for us to have a collaboration data sharing?

MR. SNYDER: We would be glad to share any data that we have in summary form as far as various different sectors. You know, I think that that gets right down to the core strength of co-ops.

Also co-ops you just can't measure in pure economic impact as well. Cooperatives have to be measured in other impacts. For example, in affordable housing, it's not just the savings of rent. It's becoming what it really means to become a homeowner, what it really means to -- people tend to vote more in housing cooperatives. They tend to -- they have less crime in housing cooperatives.

You ask the leaders of the co-ops and they tend to learn corporate governance, and some have gone on to serve in city councils and things that would never have happened except for the experience in running a cooperative, and so there's a lot of other data points that should be measured and should be discussed and talked about, and you can use those with agricultural cooperatives or utility cooperatives

or any. It's just not the economic impact. It's the social impact and other things that really allows cooperatives to shine in your community.

We do a lot of low-income lending as well, and one of the things that has impressed me in my tenure at NCB is the ability of cooperatives to reach down into the lower income strata and allow people to help themselves. We have done it in affordable housing and healthcare.

Recently, we had a healthcare conference at the Press Club, and there was all sorts of great stories, but one of the stories which we're particularly proud of because the bank provided some seed money was providing training to New York City toward welfare moms, if you will, to give them training for home healthcare, and it's been a tremendous success because not only has it created jobs for those individuals, and high-paying jobs with benefits, real working, you know, living wages, but also provides needed care within that community.

And the people that receive that care like it because it's provided by people that live in that community and they can relate to it better, et cetera, and there's an excellent example of how co-ops, worker co-ops in this case, can reach down into the lower economic strata and allow people to help themselves.

MR. DUNN: I definitely appreciate your remarks. With respect to some of the nonfinancial, harder-to-quantify impacts of cooperation, we do find ourselves stuck with

being anecdotal way too often, yet I think that forces us to sell short by a longshot the contribution that cooperatives make to the community, and somehow we've got to collectively get our hands around an objective scientific way of measuring such things as leadership and the impact that it does on a community.

You know, we think about some of the work that we do internationally and what this country wants to promote in terms of its democratic ideals. What better mechanism is there to use to teach that than the cooperative form of business? But how do we get our hands around that in an objective scientific sort of way that, you know, we can put numbers on? You know, that's kind of a challenge to all of us that I think we need to work on.

MR. SNYDER: Well, it is a particular big challenge. We have created a social impact database which captures in my opinion probably too many of these social factors because it becomes overly large. We would be willing to share some of the information that we're capturing to maybe spark some thoughts as to maybe information that you would want to capture in various different sectors.

You know, I think that that helps to sell our public case as well. It's just not about economics. It's about improving the quality of people's lives and giving people roots in which to stay in these communities. I mean, there's some communities that have benefitted significantly

because of the cooperative because there's just a local community flavor that's sort of a glue so to speak in many respects that helps.

There's a lot of other factors, economic factors, that target that, but I think that the cooperative form is unique and offers unique benefits as well.

MR. DUNN: Thank you.

MR. SNYDER: Any other questions?

Thank you very much.

MS. PURCELL: Thank you.

MR. DUNN: Thank you very much. And our last presenter today, Douglas Kleine, National Association of Housing Cooperatives.

MR. KLEINE: Good afternoon, and my congratulations to your keeping this on time, and I'm not going to mess that up.

My name is Doug Kleine. I'm executive director of the National Association of Housing Cooperatives, and I really thank you for convening this session and taking such a serious interest in the research needs of the cooperative sector.

While housing co-ops are thought of as an urban phenomenon, they exist in rural areas as well. You can find HUD-insured housing co-ops serving a Lakota tribe in South Dakota, housing co-ops serving seniors in Iowa and rural Minnesota, rural Wisconsin, and Northwest Arkansas. You can find cooperatively owned manufactured home parks in New

Hampshire and Massachusetts and central Florida, all in rural areas, and there's farm worker co-ops in California's central valley.

Housing co-ops are financed through a number of private and public programs including USDA's 515 program, which has produced an estimated 5,000 cooperatively owned homes. All together, housing co-ops, and there are 10,000 of them, contribute over \$11 billion to the economy while providing homeownership to some three million Americans, almost 40 percent of whom are low and moderate income.

Chuck Snyder mentioned the credit risk. Housing co-ops insured under Section 213 have their mortgage insurance premiums go into a separate pool, and that then pays patronage dividends back to the participants and that has paid patronage dividends back to the participants every year of its existence, and in the last 10 years, it's been paying back probably 90, 95 percent of what's collected. It's just the most successful multi-family program that HUD has ever had.

And in looking at some of the other research that has been done by the Urban Institute comparing co-ops serving low and moderate income residents with rental housing, serving low and moderate income residents that co-ops have lower operating costs by a significant factor, which then saves the government in rent subsidy in those co-ops.

For all the good of housing co-ops, there is very little government data collection on multi-family housing as a whole. We know more about how many bathrooms are in units than we know about how many cooperative entities that there are.

One Census question on co-ops was in the 1990 census and was then dropped in the 2000 census. When Census reports on housing starts, townhouses are counted as multifamily starts, but if they're deeded out as fee simple, then they're counted as single family.

Census also does an economic census, and we're looking for the 2007 economic census which will cover real estate as an industry, sales and management, and we've offered some comments to Census on how to make that effort a little more meaningful to cooperatives to be able to separate out the cooperative data from the rental data and get some information on co-op budgets and some things of that nature.

HUD's data collection, because we're the ones that have to tell them how good their properties are doing, is sad indeed. The American Housing Survey which is done for HUD by the Census Bureau relies on sampling that creates very large errors. If in one year they sample in San Antonio rather than in Chicago or in Salt Lake City rather than Miami, you just get numbers going way up and down when they try to apply them on a national basis.

In addition, it relies on local government for saying this building is a co-op and this building is a condo, and local government has no way of knowing that.

Even within HUD's own portfolio, it counts market rate co-ops as homeownership when they cite the number of homeowners we have, but they count limited equity co-ops serving low and moderate income and African-American people, they count them as rentals, and co-ops serving low-income seniors as rental because they can't distinguish within the same program which things are rental and which things are co-op.

I hope 515 doesn't have that problem. I haven't looked that carefully at the numbers that are there, but if it does, that's step one of which ones are which. So housing costs are a limited part of rural America.

We do ask you to perhaps do two things, three counting the 515 separation: Demonstrate to other agencies that housing co-ops can actually be counted, and to take a leadership role perhaps with other agencies in bringing some sense to a flawed, hodgepodge data collection efforts that are going on.

That said, the most important thing I can say to you today is that we need a national study and data collection on co-ops of all types. The highest priority should be given to establishing a system for regular data collection and reporting, and as Ann Hoyt says, access on the cooperative sector's role in American life and in the

American economy, and with regard to American life, there have been some studies on rural co-ops for seniors and the impact it had on those individuals.

And I think Chuck Snyder alluded to a study which does have quantifiable data from New York City measuring things like neighborliness on a scale within co-ops and comparing co-op buildings with the similar rental buildings and documenting that that social capital is there. Thank you very much. I appreciate the opportunity to address you today.

MS. PURCELL: Thank you.

MR. DUNN: One thing you mentioned triggered something that Mike Boland was talking about earlier and suggests that there are probably several opportunities out there for the cooperative community as a whole to get some variables on some of these Census activities that are done whether in census of manufacturing it includes a variable of, you know, are you organized as a cooperative.

These things, you know, basically take some money. We have to buy variables is the way it works out, but it strikes me is we might have an opportunity if we as a community can collectively come up with a strategy for doing that and all be of one voice and one mind in working together to get those variables put into the housing census, the census of manufacturing, the ag census, you know, cutting across, and then coming up with the resources by which we can buy those variables.

That would tremendously increase the amount of data that we have and that we could analyze across any number of dimensions that we -- you know, basically you can do a two-way classification on any variable they collect if we have that, you know, that single variable in there, so that might be an area that we need some collective discussion on.

MR. KLEINE: I agree. I did not mention while we have co-ops in rural areas, they have problems that will not be unfamiliar to you. They're smaller than co-ops in urban areas. They're more isolated.

There's a lack of professional services that understand between, you know, accountants and attorneys and property managers or accountants and attorneys who understand what a co-op is, property managers that would treat them as owners rather than as renters, and I'm not sure how you solve those kinds of problems. It just goes with rural life.

MS. PURCELL: Thank you very much.

MR. KLEINE: Thank you very much.

MS. PURCELL: Well, first of all, I'd like to thank everyone who participated today, and at this point, before I close, I'd like to throw it open to the audience. I mean, did anyone hear anything that sparked an idea from one of the other presenters that you'd like to raise at this point? Do you have any questions for us at this point? Throw it open? Sure.

AUDIENCE MEMBER: Well, a couple of things that were said that I jotted down and I wanted to comment here on. These are in no particular order, but as we try to reach out to people who are doing research -- and we talked about the NCER-194 group, and now it's called something else. I didn't quite catch what it was, though.

There are also a lot of people doing research in other sectors. We've identified some of them and I know there are more out there in various universities. Some at land grants, but in different colleges, not necessarily the ag college, people doing work in worker cooperatives or daycare or purchasing cooperatives, and so I think as we try to build that list, we should make sure that we work to gather some of those folks along the same way.

The other thing is as we think about this is that there is as you know lots of research that goes on in other countries, and we need to I think keep that in mind as we think about how to go about this, either are there good researchers we could apply here in the U.S. or utilize.

And there's a project going on at the University of British Columbia called the Cooperative Learning Center that's trying to create a global database of existing research that could be searchable, and when we think about research that needs to be done, getting plugged into that I think is an important other area.

The third thing is coordination and dissemination of information. I think it's a really tough challenge for

us and trying to figure out where the research is needed and why this is a really good start, and then when it's done, getting it out to the folks who actually need it.

I think the credit unions probably do the best job of that, and they have something called the Filene Research Institute. They bring together leaders from the sector on a regular basis. They identify the type of research that needs to be done. It gets done. It gets disseminated out to those same folks, and I think that some kind of process either like that or similar to that would be really valuable. I think that's to me what's been missing. We get research done, but it's not necessarily connected to where the co-op community has identified where that research is to be done, and it's hard to get it disseminated out to the right folks.

So those are just observations I had from hearing other people talk that I wanted to make sure kind of got into the record.

MS. PURCELL: Great. Thank you. Anybody else? Yes?

AUDIENCE MEMBER: Yes. As we look at research, I haven't heard much discussion about small and limited resource farmers issues. Are we assuming that one size fits all? Should we have research tailored towards different sized farms or what have you?

MS. PURCELL: I think that's certainly something that we could look at because obviously there are going to

be different issues and different impacts and certainly we can take that into consideration.

AUDIENCE MEMBER: Well, I wanted to know if any of the presenters had any ideas on this.

MS. PURCELL: Anyone? Sure.

MR. SNYDER: Yes. I think our observation has been the kind of traditional approach to cooperative development that we would take in most communities doesn't necessarily work in limited resource communities, and NCB has had a lot of experience in this internationally. We use an entirely different approach in developing country with very limited resource people than we do perhaps with a group of business people or farmers or consumers here in the U.S.

And I think that is we've tried to do some research on that in the past. Ann's done some work on that, and I think there's some lessons we can learn that kind of gets at your point is it's not necessarily the same approach without wholly having the kind of body of research around that to draw the conclusions to give you anecdotal experiences on how we've done it, because we know the traditional method doesn't necessarily work in developing countries.

MS. PURCELL: Anyone else? Yes, Julie.

JULIE: We've gotten into kind of a cooperative model which is very oriented to size and scale, and it's almost to some degree Wal-Mart-driven. I want to say this is totally the way cooperation is looked at today, but it

does seem to be a predominant theme in some of the talks that I've looked at from conferences.

And I'd like to know from people that are here today if they can comment on is this the optimal way to protect farmers' interest, because in the past, I mean, with cooperatives thinking of themselves as a competitive yardstick, there was like the ADMs and the Cargills of the world were thought of as adversaries.

And now, with supply chain marketing, one partners with the buyer because they need to serve the consumer, both need to serve the consumer because both have this joint interest in getting the product on the shelf and making sure the consumer is happy.

So it's a different culture right now than it has been in the past, but is there some pattern in that maybe we're not seeing in terms of protecting farmers' interests? Because this drive to size and scale really brings huge demands for capital on cooperatives that a lot of times they have to then turn to outside investors to fill. I just want some comments on that if anybody could answer anything.

(No response.)

MS. PURCELL: Well, clearly it's something we're going to have to give some thought to.

(Laughter.)

MR. TORGERSON: I think I mentioned in my laundry list of research projects the fact that there are in fact a number of pretty successful smaller scale models out there

that are tailoring their marketing orientation to some of the organics and natural foods and some of the others and being quite successful in it, and that certainly is counter to the Wal-Mart models, and I think the challenge is to measure some of the benefits to those.

As some of my former colleagues know, I've always been very, very critical of extension service in recent years for emphasizing direct marketing and specifically individual farmers marketing on their own because that's the antithesis of cooperation.

But I think what we're seeing happen now is going through the learning curve is that there are a number of combinations of smaller-sized cooperatives in scale being formed out there and actually finding some niche markets which we need to document, you know, some of those experiences, how it's being done and evaluate what the sustainability of it is.

MS. PURCELL: Thank you. Anybody else? Yes?

AUDIENCE MEMBER: Well, I think Mike Boland made the suggestion about maybe more of the research reports we do get summarizing, we'll put them in *Rural Co-Ops Magazine*. I'd just like to say, you know, I think that's an excellent idea.

MS. PURCELL: I agree.

AUDIENCE MEMBER: I mean, we do do it kind of somewhat haphazardly. I think now maybe 50 percent of them do, but making it a requirement would probably be a good

idea except in some circumstances. It wouldn't always work, but I think it's a good idea. And again on the dissemination issue that Paul and a few others have brought up, I really do think we need to revamp the Co-op Services' web presence.

MS. PURCELL: I agree.

AUDIENCE MEMBER: We've really got an antiquated website, and we've been griping about this for years and years and years. You know, I admit it has gotten a little bit better, but if we can't do it in-house, we need to spend a little bit of money to bring in an outside web designer to fix that baby up, and those of us who work here have a hard time negotiating it, so people outside, really, good luck.

MS. PURCELL: I agree wholeheartedly. Thank you. Anyone else?

MR. STAFFORD: Let me ask a question here of everybody I guess. One of the themes I'm hearing is that we should be doing a lot more data collection, direct our research to general -- what should datapoints be, how are we going to get those things? Am I to understand that to say that our priorities should be forget research that we had been doing, make everybody concentrate on nonagriculture and do some data collection? Is that what I'm hearing? We can't do it all. We know that.

AUDIENCE MEMBER: No. We'd like for you to do it all.

(Laughter.)

MR. STAFFORD: Okay then.

MS. PURCELL: It's decided we're doing it all.

Yes, Paul?

MR. HAZEN: You know, we spent a lot of time at the NCB board level, and there's a letter attached to my testimony from NRECA and CUNA and others. I think the real feeling was that if we don't get that right, we really can't do a good job on the other type of sector-specific research that obviously needs to be done, and so if we can collectively -- and it really is a collective effort because, you know, the credit unions collect a lot of great data, so that's kind of done, you know, if you take that as an example.

So where are the holes? How do we bring it all together and make it make sense and make it available? If we can do that right, then we can move on to the next step, and that doesn't mean that there isn't specific research that's not going to need to be done on specific topics that a lot of people have outlined good things today, but we have to make sure that we have got adequate coverage around that basic research in order to go to the next step.

MS. PURCELL: Yes, Bruce?

BRUCE: You know, I don't understand that, Tom. I think some of the research will involve understanding the kind of data that we would be searching for and actually asking let's say it's the census of agriculture or the Department of Commerce. We talked about do we would ask manufacturing collection are you a co-op or not.

But then you get into a lot of complicated sector issues. Doug Kleine pointed out HUD collects data, but they don't make accurate separations between a limited equity of a new market, so we would actually have to go in and actually define markets so that we can present to them these are some of the nuances.

It might be a little easier in credit unions and rural electric co-ops to do that, but when you're talking about purchasing co-ops, worker co-ops, consumer co-ops, you've got some real difficult definitions, so you have to work on so if we're telling Commerce to collect some data, we have to be able to define some of the variables, and so we've got to have a market definition issue, so there's a lot of preliminary work to do other than just us actually sending out surveys.

MS. PURCELL: I agree.

MR. DUNN: You may all ask what we're going to do with this material that we're collecting, so rather than have somebody ask me, I'm going to try to give you an answer up front.

MS. PURCELL: That's what I'm talking about.

MR. DUNN: Oh, you know what we're going to do with it? Okay. Then Bobbie is going to tell you.

MS. PURCELL: That was going to be my closing remarks.

MR. DUNN: Your turn.

MS. PURCELL: Thank you.

(Laughter.)

MS. PURCELL: Anybody else have anything they want to say?

(No response.)

MS. PURCELL: Well, first, let me thank you again, each and every one of you, for coming and presenting and for the staff to come and listen. I think it's critically important. One of the first things that I wanted to do when I came to cooperative programs was to get in touch with all of our partners and to find out where best you think our research resources could be used.

As I think many of you indicated, we have a brilliant staff with a lot of knowledge and a lot of expertise, but if our research isn't relevant to your needs, then we're not really serving our customers and our constituents the best way, and so I do want to very much thank you for this effort that you put in today. I know many of you had to take time out of your busy schedule, so we all here in this room very much want to send out our appreciation.

You've given us tremendous food for thought today from the very big picture, large-scale projects that many of you have pointed out looking at the impact both economically and socially out of the cooperatives in this country, and Paul and I have talked on this on many occasions. We're very supportive of this initiative. We think it is critically important.

In my past life when I worked at the Rural Utility Service -- and for those of you who don't know me or haven't met me in the past, I'm not totally new to cooperatives. For the previous 25 years of my career, I did work at the Rural Utility Service with both the electric and telephone cooperatives, so I'm very in tune with the cooperative movement.

Maybe not necessarily specifics in housing cooperatives or grocery cooperatives and farming cooperatives, but I know the intent. I know the good that they do. I know how they serve their membership, and I'm a tremendous supporter of that. I do want to point out I was only 10 years old when I started, so any of you doing math out there -- but I am very much a proponent of that, and I want you to know that.

You've given us as I said tremendous food for thought today. I think you've given us some very big picture items, but some very specific items that we can look at as well, and I think we need to start looking at those. I think it's critically important not only for us to get our hands on the overall economic impact and social impact of cooperatives but also why do cooperatives fail and why do cooperatives succeed in a certain sector.

I think that is important information that if we do the research and we can make some of these determinations, maybe we can help other cooperatives in the future. I think it's very interesting and important to

understand cooperation and the social impacts of it, and I think that is a good issue that was brought up today.

The interdepartmental collaboration that many of you talked about I think is critically important, particularly if we are going to go on some of these data-gathering journeys down the road. I think there is as someone pointed out a lot of data available.

I know RUS has tremendous data on the electric co-ops, on the telephone co-ops. I'm sure the National Cooperative Bank has tremendous data that we can rely on and borrow from without having to start from scratch, so I think there are some good partnerships and good collaborations that we can develop out of this.

What are we going to do next with this? Well, we're going to sit down and we're going to go through all of it, but not over the long term. This is something I'm very excited about and something I want us to get working on very quickly, so next week I want to sit down with the staff and try to digest this and come up with a long-term and a short-term research agenda for us.

Now, since we're in the government, it's not real easy for us oftentimes to move too quickly, but we want to, and we also want to move down this path with you at our side throughout this whole process.

Now, regretfully, it's hard sometimes for us to pick up the phone and call one partner over another, and again, the reason today for the

formal public meeting is to give everybody a chance to comment, to provide your thoughts and ideas.

But I would hope and I would ask for your help and cooperation as we move forward because we're going to want to bounce ideas off of you. We're going to want to get your continued input as we go down this road, so I'm hoping that within maybe the next 30 days we not necessarily have to get together in this formal of a situation again, but you might be getting a call from us.

We'd like to look into this. Do you have some suggestions? Can we sit down and can we meet? And that's how I would like to proceed unless someone has a better idea.

MR. DUNN: Not me.

(Laughter.)

MS. PURCELL: So again thank you very much. Please keep in touch. We're going to try to keep in touch with you, and we're really going to try to move this agenda forward. Thank you again, and have a lovely afternoon.

(Applause.)

(Whereupon, at 2:00 p.m., the meeting in the above-entitled matter was concluded.)

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REPORTER'S CERTIFICATE

DOCKET NO.: --
CASE TITLE: USDA Public Forum
HEARING DATE: September 27, 2005
LOCATION: Washington, D.C.

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the U.S. Department of Agriculture.

Date: September 27, 2005

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