

Rural COOPERATIVES

USDA / Rural Development

July/August 2008

RURAL
COOPERATIVES
75 YEARS OF
POINTING THE WAY

PROVEN ROAD
TO SUCCESS

ROUGH ROAD
TRAVEL AT
OWN RISK

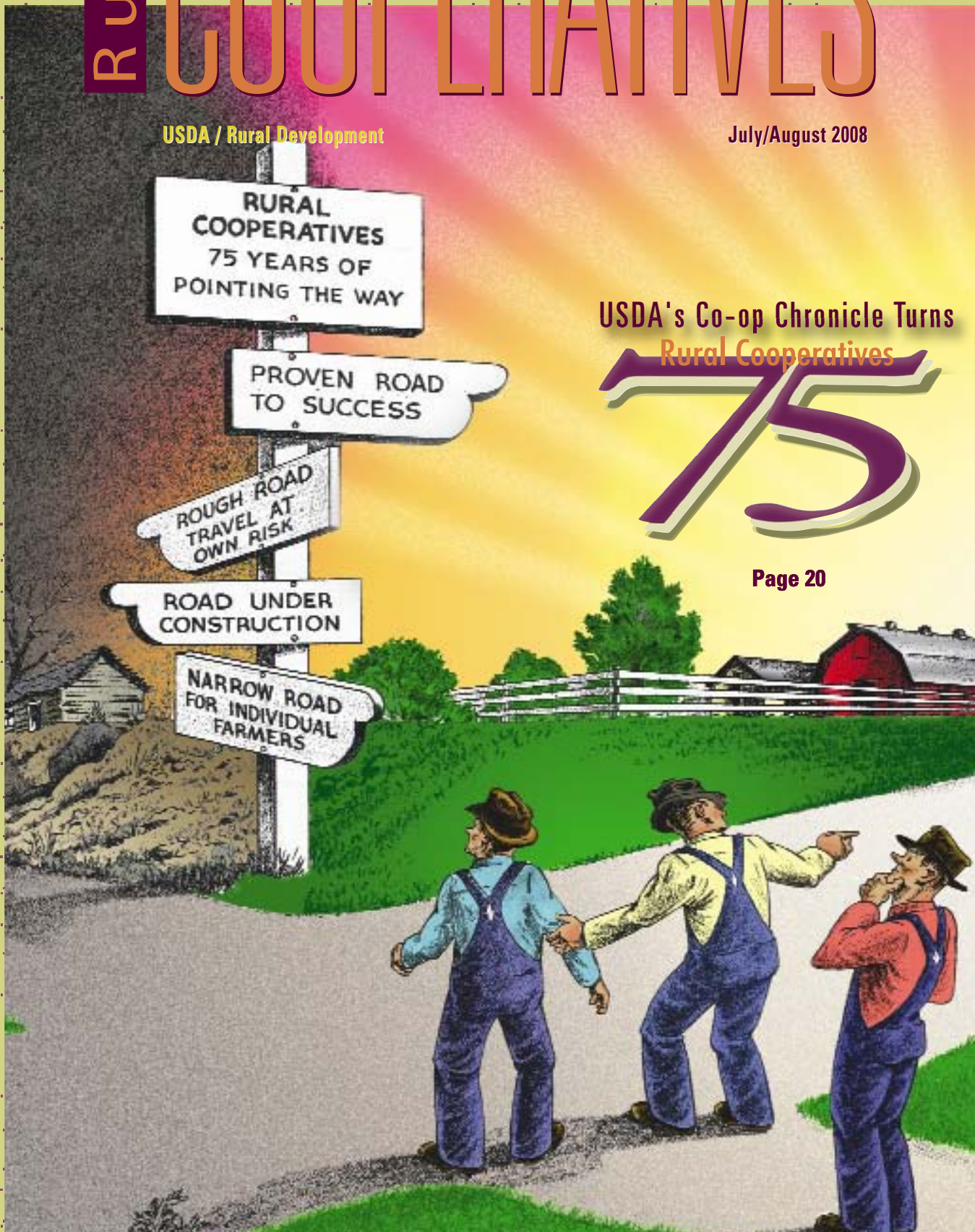
ROAD UNDER
CONSTRUCTION

NARROW ROAD
FOR INDIVIDUAL
FARMERS

USDA's Co-op Chronicle Turns
Rural Cooperatives

75

Page 20





A link to the past, present and future

What came first, the chicken or the egg? What is the meaning of life? Why, after 75 years, is *Rural Cooperatives* magazine still here?

Of these three universal questions, I can hazard a theory only regarding the last. The short answer is, of course, that the magazine is still here because you are still there.

To the surprise, and occasional vexation, of those critics who have long predicted the demise of the nation's cooperative business sector, co-ops are not only still here, but still alive and kicking; they are thriving and expanding into both traditional and new market niches. Co-ops are constantly changing and rearranging themselves to meet the challenges that walk hand-in-hand with opportunity.

Whether it's a farmer-owned co-op finding new ways to add value to its members' crops, a rural utility co-op developing renewable energy sources or a Farm Credit System co-op working overtime to keep the financial lifeblood flowing to its members, co-ops are still getting the job done.

If nothing else, it is our hope that each issue of this journal helps to turn the spotlight on just how innovative, flexible and enduring the co-op business model is. Whether the magazine has had something to do with the continued viability of the nation's cooperatives, we can only hope. We've certainly tried. By "we," I refer to all the past and present editors, writers, ag economists and other staff members at USDA who have contributed to the magazine, as well as all of those in co-op and academic circles who have so graciously allowed

us to print their work.

It is almost startling how these skinny little journals have piled up over 75 years. The shelf space occupied by just the past 50 years or so of bound volumes of the magazine is about the same expanse of board feet needed to house a major encyclopedia.

Most of the issues from the first four or five years of the publication in the 1930s have been lost, and those that remain — pulled from dusty envelopes in the basement at USDA's headquarters — are yellow and brittle.

Resurrecting words and images from so long ago, knowing that many of the authors have long since passed away, added a touch of melancholy to the task. But it was also fun to give another "ride" to Robert Amundson's warning from 1936 about not wasting members' time with unnecessary meetings, and scanning Tom Pritchard's cover illustration from 1952, then colorizing it to grace our cover again a half century later.

Skimming through random samples to compile the retrospective that begins on page 20, one gets a keen sense of the struggles, hopes and commitment poured into cooperatives by generation after generation of members. It was also sobering to read an article from the 1930s talking about the desperate need for improved cooperative education, and realizing that the same article could be run today.

Which brings us to the moral of this little history lesson. *Rural Cooperatives* has always been geared as a "leadership" publication, meaning it has been aimed at a small, select target audience: the

movers and shakers of the co-op world, rather than anything remotely approaching a mass-circulation audience.

Much of this is due to simple logistics: printing and mailing a copy of the magazine to 2 million U.S. farmers (not to mention tens of millions of rural utility co-op members) would be cost prohibitive. But with the advent of the Internet, and the fact that the majority of farmers and other rural people are now Web savvy, there is no reason *Rural Cooperatives* can't reach a mass audience.

So, we are marking our 75th birthday with a new campaign, asking that co-ops and co-op associations help us tell the co-op story by posting on their Websites this link to our magazine Website: www.rurdev.usda.gov/rbs/pub/openmag.htm. If you e-mail dan.campbell@wdc.usda.gov, we'll even send you a nifty miniature of the magazine cover to use as your link.

In addition to the latest issue, you can also read the past 10 years of magazines on our Website. We also urge you to let your members (especially board and committee members) and key employees know that it only takes one minute to sign up for a free electronic subscription by visiting: www.rdlist.sc.egov.usda.gov.

Again, special thanks on this anniversary to all of you in the co-op community — both in America and around the world — who have contributed your words and pictures over the years, making *Rural Cooperatives* a true cooperative effort.

— By Dan Campbell, editor ■

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FEATURES



p. 4

4 **Co-op Link to Sustainability**

NCFC study shows 'farmer-owned' message resonates with consumers on environment



p. 10

8 **Lassoing Wyoming's Wind**

Landowners band together to bargain for higher wind-power royalties

By Bill Brockhouse

10 **Aurora Co-op's Centennial**

As it turns 100, Nebraska co-op still growing with most ambitious endeavor in its history



p. 20

16 **Whatever It Takes**

Land O'Lakes asks (and answers) some hard questions about its role in agribusiness

By Mark S. Johnson



p. 31

20 **75 Years of Chronicling Co-ops**

On 'the street' and in cyberspace, Rural Cooperatives still spreading word about power of co-op business

By Dan Campbell

31 **Sec. Schafer meets with NCFC leaders**

DEPARTMENTS

- 2 COMMENTARY
- 14 UTILITY CO-OP CONNECTION
- 18 CO-OP DEVELOPMENT ACTION
- 32 FOCUS ON...
- 34 NEWSLINE

On the Cover:

For this month's cover, Assistant Editor Stephen Thompson updated an illustration by Tom Pritchard that originally appeared on the cover of the January 1952 issue of *News for Farmer Cooperatives*. See page 20 for a retrospective of the first 36 years of the magazine's history.



Co-op Link to Sustainability



NCFC study shows 'farmer-owned' message resonates with consumers on environment

Editor's note: this article was contributed by the National Council of Farmer Cooperatives (NCFC), a national organization that helps represent the interests of farmer-owned cooperatives. For more information about it, visit: www.ncfc.org.

In *Alice in Wonderland*, Alice chases the white hare down the rabbit hole and begins the journey of a lifetime. In today's marketplace, the elusive rabbit is sustainability and the "chase is on" for consumer acceptance.

More than ever, companies are championing "greener" practices that pledge to reduce pressure on natural resources, cut waste and deliver energy efficiencies. A growing number are also

beginning to aggressively market initiatives that promote everything from food to beauty products in a race to gain a greater "green share" of the retail dollar.

The trend is moving at a mind-boggling rate. In just one recent 24-hour period, "sustainability" was mentioned in more than 600 print news headlines and received 18,000 mentions in news stories on the Internet, wire services and blogs.

The problem? Consumers are confused.

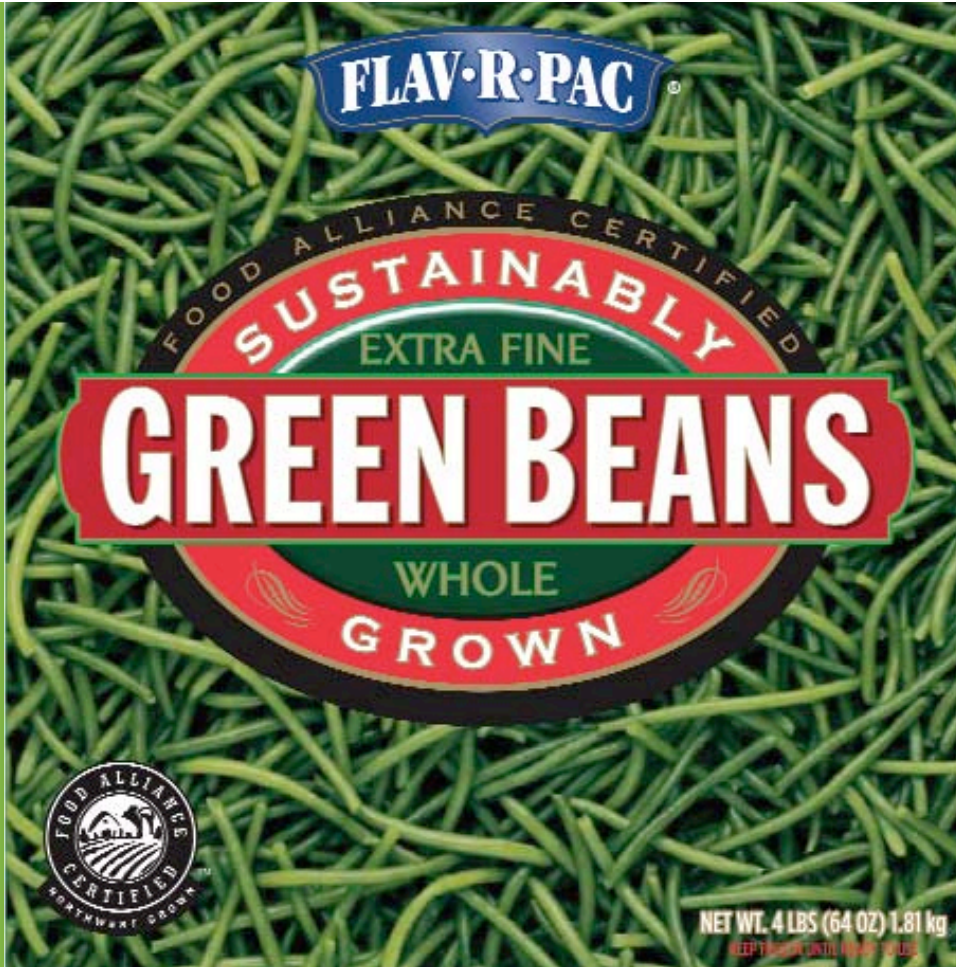
They understand that they should care, but with all of the conflicting definitions of "sustainability," "green" and similar terms, consumers aren't sure what the movement means, how to engage it or even whom, and what, to trust.

The National Council of Farmer Cooperatives (NCFC) believes that this uncertainty provides cooperatives with opportunities to shape the conversation in a way that is both meaningful to consumers and benefits farmers. And it has research to prove it.

Study gauges public perception

Jean-Mari Peltier, NCFC chief executive officer, says the organization recently completed a study to understand how average consumers view sustainability and to verify those elements that relate to cooperatives. NCFC found that "farmer-owned" may be the missing — but most relevant — link in telling the future sustainability story.

"Ultimately, the study pointed to the fact that many of the sustainability



NORPAC is celebrating its 50th year of offering a sustainable certification program to its 220 grower-owners. The co-op uses this commitment to help market its whole green beans. Photo courtesy NORPAC. Opposite page: More than 50 percent of California winegrapes are grown using sustainable farming methods. Photo courtesy California Winegrape Growers Association (CWGA). Far right: The sustainable winegrape growers' logo.



Nearly half of NORPAC member-farm operations are certified sustainable by The Food Alliance, a third-party auditor. Photo courtesy NORPAC

projects underway are missing the larger point of what consumers define as sustainable,” says Peltier. “When average consumers talk about sustainability, they expect environmental initiatives. But they are also looking for social responsibility and connecting to the fact that a real farmer produced a real product. The cooperative way of doing business embodies those principles that consumers define as sustainable.”

The study is part of NCFC’s broader initiative to create a new value proposition for members that includes analyzing conservation and environmental trends, regulations and farm policy to help cooperatives gain direct access to conservation dollars on behalf of their farmers.

“That collided with the reality that

many individual companies — largely in the food, retail and environmental sectors — were quickly moving ahead to define sustainability,” says Peltier. “Some of them have begun to require their suppliers, including many farmer-cooperatives, to conform to a set of principles that emphasizes economic, environmental and social responsibility. We thought it was critically important that cooperatives put their imprint on the definition.”

NCFC employed The Hartman Group Inc., a Washington, D.C.-based research firm, to conduct face-to-face interviews with mid-level household shoppers in Kansas City, Mo., and Seattle, Wash. These results were added to a more expansive 2007 Hartman Group-sponsored study involving 1,600 consumers.

Perceptions of sustainability

The study focused on so-called mid-level consumers, who represent the majority (65 percent) of U.S. shoppers. In general, their attitudes and behaviors about sustainability are still evolving. Though “sustainability” is widely talked about in the business community, only about half (54 percent) of all consumers are familiar with the word; 5 percent of shoppers know companies that support sustainable values; 12 percent know where to buy products from those companies.

This consumer group — which values price, convenience, personal benefit, experience and knowledge — discussed their buying habits and talked about their thoughts regarding sustainability, cooperatives and the concept of farmer-owned. First, they associated sustainability with food and beverages that are healthier for families and the planet. They wanted food producers to show “value-added” through sustainable practices, attention to detail, extra care and passion.

The research also revealed that this consumer group endorses a “do-what-you-can” philosophy by living more simply, giving back, recycling, reducing waste, education and being connected. “‘Doing the right thing’ has to be balanced by the family budget and how their life runs,” says Laurie Demeritt, president of The Hartman Group. “They also believe in ‘doing what you can,’ because there is no silver bullet.”

Cooperatives viewed favorably

Although mid-level consumers know very little about the cooperative business model, they generally view co-ops in a positive light.

“Consumers believe that cooperatives are more likely to be sustainable, based upon their structure and foundational elements,” says Demeritt. “Cooperatives sustain a treasured way of doing business, include people (farmers) who want to maintain their current lifestyle and sustain a community, and maintain certain environmental standards.”

Co-ops support rural communities,

contribute to the economic growth of other farmers, work together to build customer relationships, pool resources, share benefits, are equally vested in an incentive to uphold standards, are responsible to workers and customers, and have ownership and family pride.

‘Farmer-owned’ rings true

The most compelling study result shows that the term “farmer-owned” resonates strongly with consumers and implies sustainability and cooperation without even saying it.

“Consumers have a limited attention span,” says Demeritt. “They have busy lives. Farmers and their cooperatives need to focus on the simpler ideas. It’s not that ‘cooperatives’ or ‘cooperation’ is negative, but ‘farmer-owned’ carries a better, easier-to-understand image. So, don’t spend time talking about what makes your cooperative sustainable ... leap frog to farmer-owned.”

Consumers indicated that “farmer-owned” carries images and feelings of:

- Simplicity;
- Cooperative values;
- Connecting emotionally with consumers;
- Farmers making the right decisions;
- Commitment to farmer livelihoods, rural communities and good land stewardship;
- Sharing consumer values;
- Authenticity and trust;
- Hope for the future.

“Unlike some companies that are running to catch up, co-ops can — and need to — leverage their natural fit in this category,” says Demeritt. “The term ‘farmer-owned’ provides great marketplace opportunities because consumers seek ‘people-like-me’ connections behind the products they buy.

Further, consumers want to know where their food comes from, how it was made and by whom.”

To maintain consumer trust, those stories must be authentic. “Farmer-owned carries hope and promise hailing to the comfort of the past and safety for the future,” she adds.

Telling the story

NCFC members, who are pioneers in developing sustainable co-op programs, believe the term “farmer-owned” brings value and understanding in defining the cooperative’s role. George Smith, chief executive officer of NORPAC Foods Inc. — a processing/marketing cooperative owned by 220 vegetable growers in the Pacific Northwest — says NCFC is on the right track.

“As the world grapples with the issues of sustainability, the challenge is to make sure the definitions and the standard don’t get out of sync,” says Smith. “This is the perfect time for cooperatives to be involved in, and to influence, the definition of sustainability for growers and producers, rather than have someone establish it for us. There are efforts afoot on the customer side to define it, and, in some cases, we are involved with defining it for customers.”

This year, NORPAC celebrates its 50th year of offering a sustainable certification program to its 220 grower-owners. Nearly half of its member farms, representing nearly 60 percent of NORPAC’s commercial output, are certified by a third-party auditor: The Food Alliance, a Portland, Ore.-based organization that provides sustainability certification standards.

NORPAC’s sustainable business practices also extend to its six plant operations from processing to transportation. The co-op recycles water and packaging, buys wind credits for energy efficiency and — starting just six months ago — began selling green beans bearing the Food Alliance certified sustainable shield.

“We are still evolving and growing in our sustainability efforts. We continue to encourage our farmers to certify because it’s the right thing to do,” says Smith. “We believe down the road that sustainable grower practices will be part of the entry fee into the market. We’re just trying to get ahead of that curve.

“Consumers still want to trust the farmer,” Smith continues. “They want to identify with who is making the food

Sustainability 'do list' for co-ops

The National Council of Farmer Cooperative's research on how consumers perceive of cooperatives on issues of sustainability and the environment reveals two clearly defined steps to take:

- Do ensure that the social and environmental practices of members reflect mainstream consumers' understanding of sustainability.
- Do talk about the "farmer-owned" aspects of co-ops to consumers and customers...those are stories they want to hear.



"The concept of sustainability is rapidly becoming mainstream," says Karen Ross, president of the California Association of Winegrape Growers (CAWG). Below: Growers such as Gary Wilson – engaged in some ag education – "were determined to stay ahead of the curve" on sustainability, Ross adds. Photos courtesy CAWG



and they want to save the planet. If you combine 'farmer-owned' with those powerful messages, it has exciting possibilities."

A case for the future

California winegrape growers and vintners are world leaders in establishing sustainability standards, certifications and the science to back it, says Karen Ross, president of the California Association of Winegrape Growers in Sacramento, Calif. As both the leading farm state and the state with the largest population, competition for natural resources in California is intense. More than 50 percent of all commercial grapes, produced by 5,000 growers and vintners, participate in an industry self-assessment program.

The process began in the early 1990s with growers who wanted to set standards for the first integrated pest management initiative. Today, the self-assessment process includes other eco-

friendly standards and helps producers benchmark their operations, from ground to glass.

"This was a visionary group of growers and vintners who saw what was happening in the region and were determined to stay ahead of the curve," says Ross. "They wanted to define the discussion and design their industry's standards for sustainability and environment before it was regulated for them. They also determined early on that they needed the right production tools and the science to back it."

Ross, who has helped growers partner with companies and secure federal conservation and wildlife grants for additional projects, believes NCFC's recent consumer research is critically

important.

"There is so much needed to tell the story about family-owned and operated businesses," Ross says. "We want future generations making wine in this state. To do that, we have to tell the story in a way consumers can understand."

Like NORPAC's members, California's winegrape growers and vintners know that sustainability isn't an endpoint, but a journey of continuous change.

"The concept of sustainability is rapidly becoming mainstream," says Ross. "The biggest blow up can happen when the public perceives that a farmer's or grower's story is not real. To be sustainable, we need to make sure

continued on page 42

By Bill Brockhouse
Co-op Development Specialist
USDA Rural Development

Editor's note: The author wishes to thank Grant Stumbough, Southeastern Wyoming RC&D Coordinator, for his assistance in the preparation of this article.

W yoming is a windy place. According to the American Wind Energy Association, Wyoming ranks seventh in the nation for wind-energy potential. Even more impressively, southeastern Wyoming enjoys more than 56 percent of all developable-class wind in the western United States. No wonder wind energy developers are so interested in putting in wind farms there.

In other states, wind-energy developers have approached individual landowners to negotiate contracts to lease their land for placement of wind turbines, often with a “gag rule” so landowners weren’t free to discuss lease terms with anyone. Therefore, information about lease prices and other terms weren’t available for landowners to compare their offers.

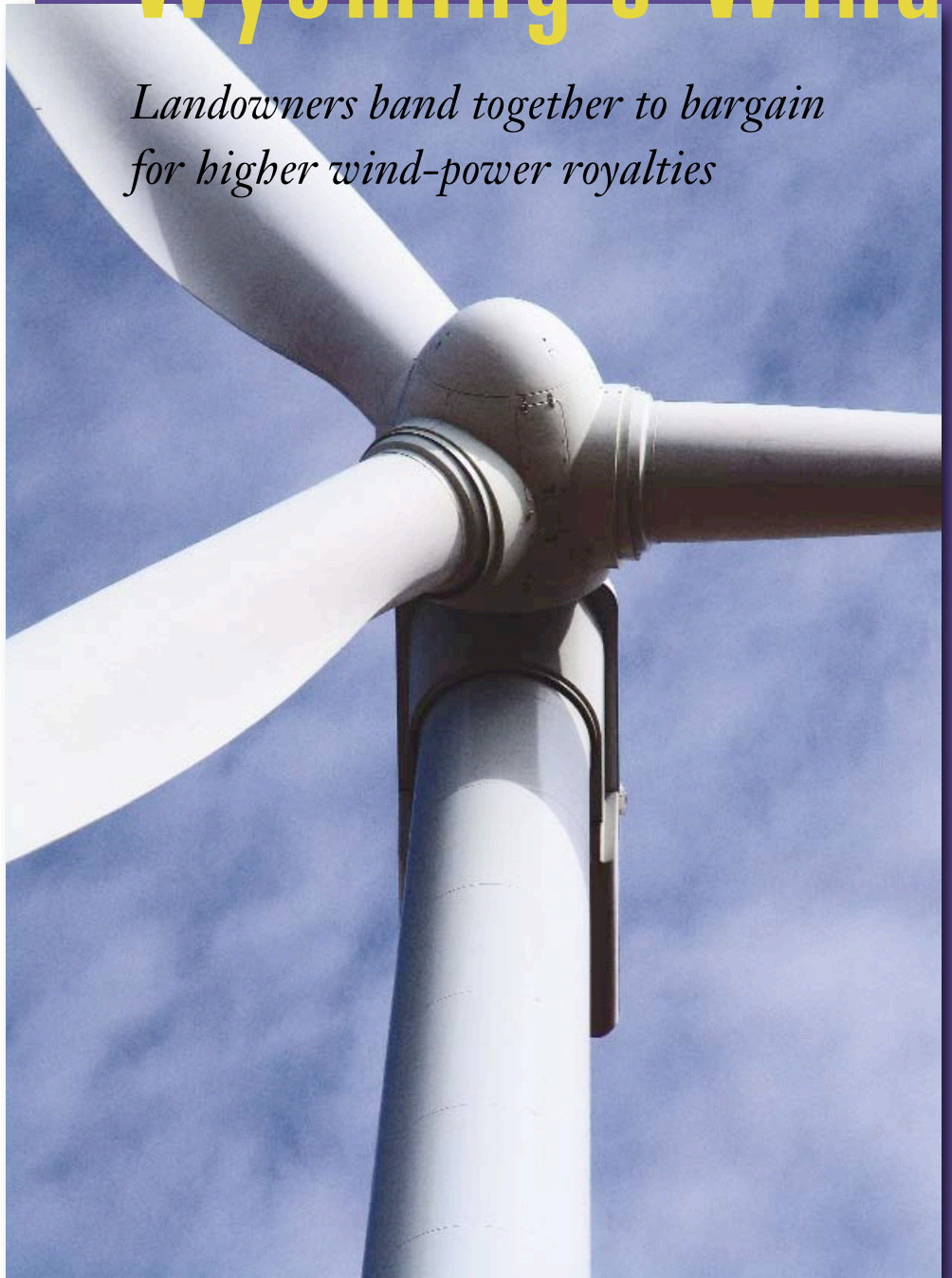
This arrangement was favorable for developers, but landowners weren’t really sure if they were getting a fair price. Wyoming landowners didn’t want this to happen to them.

Grant Stumbough, Southeastern Wyoming RC&D Coordinator in Wheatland, Wyo., has helped establish four associations of landowners to bargain with wind-energy developers. Four more are in the formative stages. In all, these wind energy associations have 2,000 MW planned for development.

Stumbough was contacted by several ranchers who had heard about the idea of forming wind energy associations to enhance the marketability of their world-class wind resources. The concept was to create blocks of land and use collective bargaining strategies to reach agreement with wind developers. They knew they had to

Lassoing Wyoming's Wind

Landowners band together to bargain for higher wind-power royalties



organize quickly to be ready for wind developers who might otherwise choose other states, or obtain leases from individuals before group collaboration could take place.

These landowners didn't have the resources to invest in the wind projects themselves by buying turbines of their own. Even if they did, they felt the risk might be too high for them, (although there are examples of groups of rural landowners doing so; see page 14, November-December 2007 issue of *Rural Cooperatives*). The payoff potential of turbine ownership is far greater than land leases, but leases are still a way for landowners to significantly benefit from wind energy development.

Land blocks vary in size

The associations, with names such as "Windy Ranches," range in size from 30,000 acres to 250,000 acres. Although informational barriers were formidable, landowners thought they had a lot to gain by cooperating. The main benefits are:

- Strength in numbers;
- Collective bargaining;
- Lands "blocked-up" to enhance their ability to market wind resources;
- Opportunity to become informed about wind energy;
- Everybody gets a "piece of the pie";
- Avoids divided communities;
- Forces the wind developers to compete for land leases;
- Determines what the wind resource is worth;
- Landowners drive the process.

Royalty payments to landowners are typically about \$2,000 per turbine per year for each landowner. But that didn't seem like much when taking into account the revenues from energy production being made.

It is estimated that bargaining can obtain 4.5 percent gross wind-power revenue for the first 10 years, and up to 7.5 percent of gross revenue of the for the following years. Other possible advantages of collective bargaining include: signing bonuses; land leases; payments for road and transmission easements; construction fee per MW of

nameplate capacity; and loss of forage or crop production payments.

Slater Wind

The first association to be formed was the Slater Wind Energy Association LLC, with 30,000 acres and 45 members. The initial meeting held to talk about the idea was attended by five landowners who expressed desire and commitment to move forward with forming an association. There were two more meetings prior to actually forming the association in March 2007.

It isn't easy, but when everyone understands it can impact their economic well-being, cooperation makes sense.

"By working with our neighbors to collectively market our world-class wind resources, we were able to enhance our ability to effectively negotiate with wind developers to obtain a fair and equitable price for everyone concerned," says Gregor Goertz, chairman of the Slater Wind Energy Association. "In addition, everybody in the community will benefit in the short and long term as wind energy royalty payments will be distributed among all association members, including those who do not have turbines on their land."

Landowners felt there was a need to develop their associations rapidly. Otherwise, events would have left them behind. Competing developers were beginning to contact individual landowners to negotiate with them on an individual basis.

Therefore, Slater Wind Energy developed and signed an operating agreement to legally form the association. It then developed a request for proposals (RFP), which was mailed to more than 40 premier wind developers, resulting in proposals from eight wind developers. Slater Wind is currently in final negotiations with a wind-energy developer who is enthusiastic about building a sizable wind farm. This all happened in less than 18 months.

Stumbough outlined the following steps in forming a wind energy bargaining association:

1. Determine interest in forming an association;
2. Delineate potential boundaries;
3. Hold first meeting;
4. Evaluate wind energy development potential;
5. Form the association;
6. Develop and sign an association operating agreement;
7. Develop and send RFPs to wind-energy developers;
8. Review and select the best proposals;
9. Enter into final negotiations with developer.

The biggest barriers to formation were the newness of the concept and lack of information on legal and technical issues, including how to structure such an organization to maximize lease values for members. There was also a feeling of being at a disadvantage against powerful developers. Therefore, experts from TransElect, Wyoming Infrastructure Authority, University of Wyoming, USDA Rural Development and others were invited to later meetings to clarify technical details.

Similarities to ag bargaining co-ops

Although the bargaining associations are not formally incorporated as cooperatives, but rather as LLCs, there are some similarities to agricultural bargaining cooperatives. In agricultural bargaining cooperatives, producers of farm commodities unite to negotiate contracts with processors.

Similarly, in the case of wind energy, landowners negotiate with wind-energy developers for the price of their wind. It makes sense for them to cooperate in this endeavor, to know the terms received by all members and to attempt to receive the best terms possible. Group action can help counter-balance the market power of developers and get a better deal for landowners.

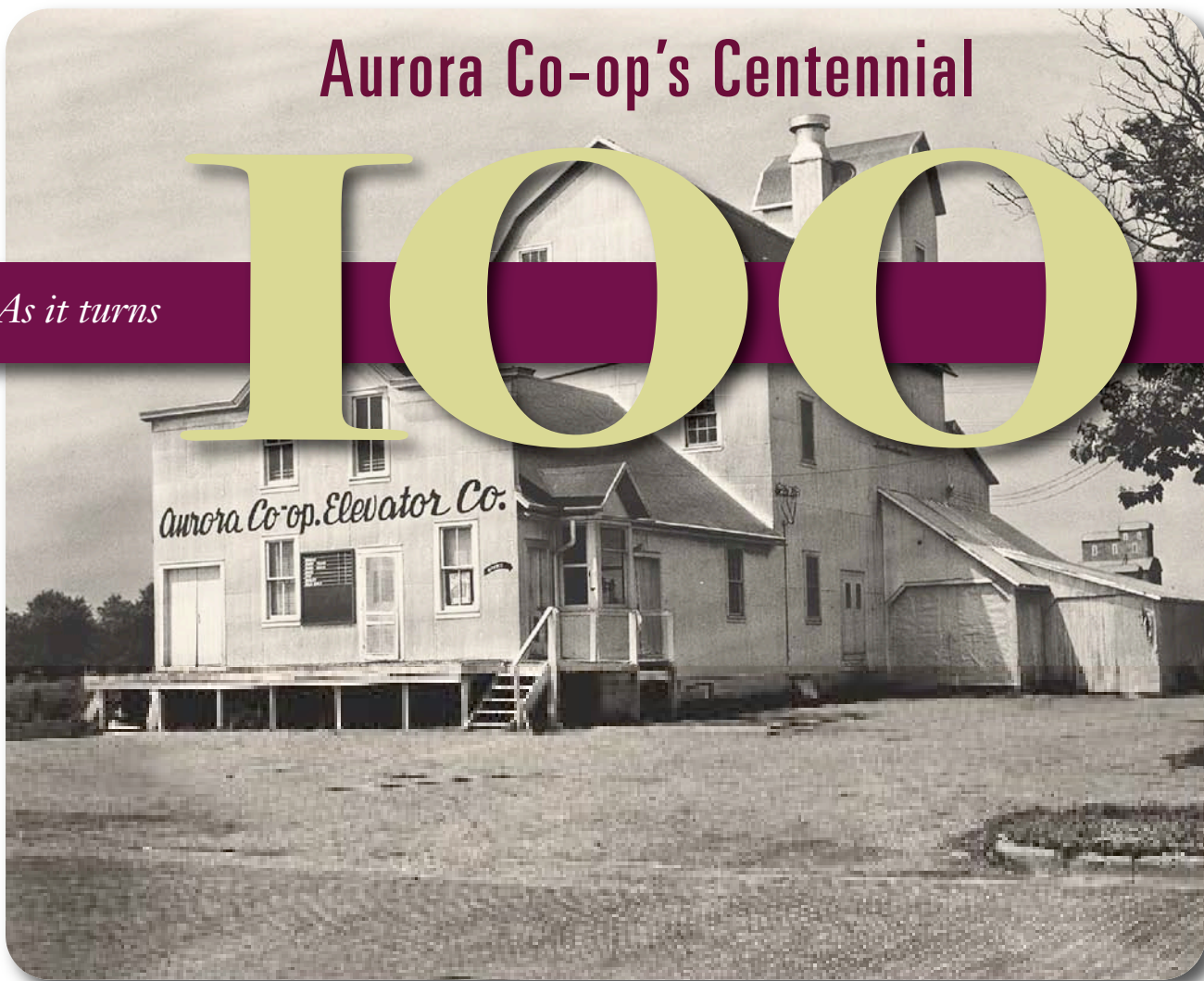
Although it's a relatively new area, there is legal expertise available for this complex subject. After forming the association, an attorney was approached who guided the group through the legal

continued on page 42

Aurora Co-op's Centennial

As it turns

100



Editor's note: This article provided courtesy Aurora Cooperative.

It all began when 25 individuals wanted to change the price they were paid for grain. It didn't seem right to them that prices at the terminal market were considerably better than the prices paid to local farmers.

This group of 25 knew that if they wanted to change the price they received for grain, they would have to change how it was marketed. The best way to do that: form a cooperative.

That is exactly what they did, and on Feb. 15, 1908, the Aurora

Elevator Company, known today as the Aurora Cooperative Elevator Company, was incorporated in Aurora, Neb.

"Cooperatives were following a new set of ideals in the early 1900s and were rising in popularity," says George Hohwieler, Aurora Cooperative's current president and CEO. "That by no means ensured success. The cooperative's pioneers worked tirelessly and recognized that they would have to continuously adapt if they were to succeed into the future."

Within weeks of forming, the company had raised \$9,800 and, in August 1908, a 31,000-bushel, wood-cribbed elevator had changed the Aurora skyline. By the end of

that first year, the company handled 128,721 bushels of grain — much of which was wheat. Accounts receivable stood at \$3. It was a good first year.

Co-op grows to 43 locations

"That early success brought farmers from a nearby community who wanted to join, giving the company two locations by 1910," Hohwieler says. "The next growth outside these communities didn't occur until 1969. Then, in the 1980s, mergers and acquisitions came more frequently.

"As we celebrate our 100th anniversary this year, we serve members and patrons in 43 locations across Nebraska and into Kansas."

Clockwise from opposite page: The original Aurora Cooperative office and flour mill; the 24,000-ton, dry-fertilizer complex at Aurora West; an aerial view of Aurora West, a 142-acre agribusiness campus; the co-op's premium livestock feeds help fuel the region's beef industry. Photos courtesy Aurora Co-op (except where noted)



Nebraska co-op still growing with most ambitious endeavor in its history



Prange Aerial Photography, Courtesy Aventine Renewable Fuels

In its 100th annual report, the cooperative reports record 2007 sales and income of \$475 million and net earnings of \$23.5 million. It also approved \$12 million in patronage refunds, of which \$5.6 million was in cash payments to members — the largest patronage payday in the history of the cooperative.

Grain storage capacity today stands at 38.2 million bushels, and the company employs 460 people.

“We had a good year in 2007,” Hohwieler says, “but that was possible because of the hard questions the company’s management and board asked themselves over the past 100 years.”

These questions include:

- Are we making the right decisions in grain marketing?
- Should we expand our marketing area?
- Can we better leverage our purchasing power to give members an edge on fertilizer prices?
- Are we taking advantage of new knowledge to provide the best possible feed rations?
- Do we need to broaden our reach to continue our success in supporting the biofuels sector?
- Are we nimble enough?

Flexibility key to success

That last question — on being nimble — is one Hohwieler views as critical. Without the ability to

move forward or quickly change direction, opportunities can be wasted.

To be successful, a cooperative must be able and willing to change as quickly as possible, with an eye on helping members succeed, Hohwieler says. In return, members will be supportive and loyal.

“Aurora Cooperative continuously faces challenges — and we’ve been fortunate over time to see those as opportunities, respond with a solid plan, and then have the courage to act and follow through,” he says.

That was the cooperative’s approach through the turbulent 1930s, the expansion of grain

Aurora Cooperative Milestones

100

1908 — Aurora Cooperative is formed;
1934 — Omaha Bank for Cooperatives organized, providing the cooperative with an operating loan during the Great

Depression and widespread drought;
1943 — The cooperative's bylaws are changed to allow patrons who could not previously own stock to earn shares; this

significantly increases business;
1955 — The company's first anhydrous tank allows members to cut anhydrous costs in half;



An original stock share of the co-op, issued May 20, 1908.



A tanker car trumpets the first shipment of phosphate fertilizer from Wisconsin to Aurora Co-op.

storage during the '50s, the decision to enter the petroleum business in the late '60s and the mergers and acquisitions in the '80s and '90s.

More recently, Aurora Cooperative saw the quickening pace of changes in agriculture and began to examine what it needed to do to ensure success in the future. For example, the expanding biofuels sector was changing where and when the corn crop went.

Larger corn crops were coming, and with them the need for more efficient methods of handling grain. Demand for competitively priced crop inputs was increasing. Storage space for grain was tight.

Aurora West co-op's largest endeavor

To respond to these challenges, a

number of conversations were held between the company's management, board and patrons. From the fruits of these efforts rose Aurora West — a multifaceted, 142-acre agribusiness campus that became the largest endeavor in the cooperative's history. A public announcement was made in April 2006.

"It took a lot of effort by patrons, employees and the board to get the pieces of the puzzle together and make Aurora West happen," Hohwieler says. "Today, Aurora West represents a class-leading model of how North American agribusiness will operate in the 21st century and beyond."

The campus includes a 226 million-gallon-per-year ethanol plant, which is under construction; a state-of-the-art grain-handling facility; a dry-fertilizer

complex, and a double-loop railroad system serving the entire Aurora West complex. A 75,000-square-foot warehouse leased by a seed company occupies a corner of Aurora West, while in the opposite corner a 50 million-gallon ethanol plant has been operating since 1994. There is also land available for future development.

The cooperative built and operates the grain and fertilizer terminals and is the exclusive grain supplier to the existing and new ethanol plants. Aurora Cooperative will also market much of the ethanol co-product distiller's grains to local livestock operations.

"The facilities planned and built by Aurora Cooperative at the Aurora West campus will allow us to better serve patrons and customers — and provide important efficiencies during these

1959 — Aurora Cooperative becomes the second-largest grain elevator company in the state;
1962 — Sales reach \$3 million; the only debt is on a feed mill built the prior year;
1975 — Sales surpass \$33 million;

2001 — Online statement viewing becomes available;
2006 — Groundbreaking takes place for Aurora West, the largest project in the company's history;
2007 — Sales reach \$475 million, grain storage capacity stands at 38.2

million bushels and the company has operations in 43 locations;
2008 — Aurora Cooperative celebrates 100 years as a cooperative. ■



Unloading a shipment of dry fertilizer at Aurora West.



The grain terminal at Aurora West was open to receive a record harvest in 2007, just 13 months after groundbreaking. Below: A co-op truck delivers livestock feed.

exciting times in agriculture,” Hohwieler says. “It is important to continuously assess, make improvements and move forward. Aurora West helps Aurora Cooperative do just that.”

Aurora West is the latest move the farmers and agribusiness people who make up the Aurora Cooperative made to remain “steadfastly progressive,” he adds.

Hohwieler says members expect the company to adapt as the marketplace evolves, to drive change within the cooperative and to work as hard as they do — all while maintaining the values and integrity the cooperative was founded upon.

“As years turned into decades, this business philosophy and determination built a reputation that has served the



cooperative well,” he says. “Our name stands for something and has 100 years

of history behind it.” ■

Co-ops Get Serious About Renewable Energy

Electric co-ops unite to form ‘Super REC’

By Lindsay Atwood
USDA Rural Development

Electric cooperatives across the nation are banding together to do what co-ops do best: pool resources and expertise for the greater good of everyone involved. In this case, they are joining to form the National Renewables Cooperative Organization (NRCO), essentially a “super cooperative” made up of many individual rural electric cooperative utilities.

Membership is open to generation and transmission (G&T) co-ops, distribution co-ops unaffiliated with a G&T, or partial requirements co-ops, which can purchase part of their power from other sources.

This new organization will serve to identify viable renewable energy projects and make them available to its members to help co-ops diversify their portfolios. Though their primary focus is on diversifying energy portfolios, NRCO does provide the added benefit of helping co-ops in certain states meet Renewable Portfolio Standards (RPS). State RPS policies require utilities to produce a certain megawatt quantity or percentage of their electricity from renewable resources. More than half of the states already have some form of RPS.

Much more than simply staying on top of RPS requirements, a general feeling of co-op camaraderie coupled with the desire to help one another develop renewable energy projects have motivated the startup of this organization.

“Our motives were pretty straightforward,” says Ron Harper, the CEO of Basin Electric Power Cooperative and chairman of the new organization’s transitional board. “We’re a cooperative and we want to help cooperatives.”

Similarly, Earl Watkins, CEO of Sunflower Electric Power Corporation, recognizes the expertise his co-op can bring to the table regarding the challenges and advantages of wind farms, because Sunflower already receives power from two of them.

“As a G&T located in central and western Kansas, we



realized that we have substantial wind resources,” he says. The question is: “How can we help other G&Ts who don’t have the resources in their back yard that we have in our back yard?”

The answer, he believes, is the National Renewables Cooperative Organization.

‘Super co-op’ board energized

The idea for this “super cooperative” originated more than a year ago with the Generation and Transmission Managers Association which, along with the National Rural Electric Cooperative Association (NRECA), decided to contribute money to fund the development of the organization’s business plan. Since then, a transitional board has been established to get the organization up and running.

“The board is very energized,” says Jay Morrison, associate director of regulatory council for the NRECA’s Energy Policy Sector. “They’re moving forward quickly.” With 15 members on the transitional board representing 10 G&T co-ops and five unaffiliated distribution co-ops, NRCO had its first official meeting on May 22, with hopes of becoming fully operational as quickly as possible.

“In terms of a timeline, the transitional board has the ability to function up to two years, but I think it was all of our desires to try to get the full board governance structure

and the business plan fully put in place as soon as possible,” Harper says. “It would be my hope that by the end of this year—certainly the first quarter of next year—we would be fully operational.”

Well on their way to operational status, the board appointed several committees at its May meeting to work on various aspects of governance and policies, such as a bylaws committee and a committee devoted to finding an energy management company for the organization.

“It’s our goal right now to have the committee activities accomplished by August so that in September at our next meeting we’ll be able to advance the project,” says Watkins, who serves on the transitional board’s bylaws committee.



Hydro and solar power are prime examples of renewable energy. Photos courtesy National Renewable Energy Laboratory. Opposite page: Earl Watkins (center) of Sunflower Electric says one goal of NRCO is to provide expertise and education about renewable energy. Photo courtesy Sunflower Electric



developer for wind has a project in Iowa. That developer brings the project before the energy management company for review and due diligence and, if it passes the test, the board would look at it. It would then be opened up to all members of NRCO as to whether they want to participate.

“Let’s say there are 10 members who all want to participate,” he continues. “That project then would be formed

into a special purpose entity so it stands off to the side of the NRCO. Those ten members are responsible for the costs associated with that project. If they sell the energy into the market, there would be a revenue stream.”

Although NRCO is not currently structured to own any assets, the business plan was developed in such a way that the

organization has the ability to do so at a later time, if it so chooses, says Harper. The board, he adds “tried to look forward and say there might be that opportunity in the future.”

Beyond working to develop new renewable energy projects for its members, NRCO will also work to educate people about renewable energy and provide clarification for misunderstandings and fallacies.

“A lot of people will say wind is free, and wind clearly is not free,” Watkins says of a common misconception. “They’ll also say you don’t need coal plants—that you can do it with wind—but the wind is only blowing 40 percent of the time.” One of NRCO’s goals, he says, is to provide access to expertise and positive publicity to educate people about why electric co-ops are forming this organization, as well as to help consumer owners of co-ops understand the complexity of these issues.

According to Morrison, the public is looking to co-ops to provide leadership in this area. By forming this pioneer organization—this co-op of co-ops—they are taking that lead.

“Co-ops have more often than not been on the leading edge of making responsible decisions,” Watkins says, “and the best way of doing that is to consolidate intelligence and experience to help us each make the right decision at the right time for the right reasons.” ■

Membership growing

Word has spread quickly about NRCO. By May 23, 24 member co-ops in more than half of the states — serving 22 million consumers — had joined the organization, Morrison says.

Harper expects more co-ops to soon join NRCO. “I know there are a number of individuals who have talked to me who are going to wait and see,” he says. “Their boards want to join, but it’s like anything new. People want to see how it’s going to work.”

The benefits to members of pooling resources and efforts are the same as those of any other cooperative, asserts Morrison. “By working together they have the opportunity to be more efficient,” he says. “They can together jointly fund the expense of the experts and the expertise that’s required to really find the best projects.”

NRCO offers a win-win situation for members both in states with many renewable resources and in states with very few renewable resources. Co-ops with excess renewable energy can sell the energy into the market. Co-ops with limited renewable energy can, by way of becoming partial owners of renewable energy projects, claim those renewable energy credits as their own and use them to meet their state’s RPS, Watkins says.

How it works

Harper spells the process out clearly: “Let’s say that a



Whatever It Takes

A friend in need: co-ops stand by their members in good times and bad. Here, Scott Maier (left) discusses the impact of June flooding on his farm with staff members from United Cooperative of Beaver Dam, Wis. Land O' Lakes has spent considerable time and effort "out in the country" this year to find out how to better meet the needs of local co-ops, such as United, and their members. Photo by Mark Johnson, courtesy Land O' Lakes

Land O'Lakes asks (and answers) hard questions about its role in today's agribusiness world

By Mark S. Johnson

Editor's note: Johnson is a former staff writer for Land O' Lakes and is currently a freelance writer, based in Minnesota.

In 1921, cooperative leaders from 320 local creameries in Minnesota decided they needed a middleman to help them improve the marketing, quality and price of their butter. To use a

fancier 21st century term, they were seeking marketplace "intermediation."

With a \$1,000 loan and \$375 of their own seed money, the farmers met in St. Paul and established the Minnesota Cooperative Creameries Association — today's Land O'Lakes Inc. The new organization was soon working to improve member profitability and expanding its membership. Operations rapidly spread into other states. As it grew, the company not only grew its marketing power, but also put its cooperative buying power to work, bringing producers better

pricing on feed, seed and agronomy inputs.

For Jim Fife, Land O'Lakes senior vice president for member and public affairs, it is important to remember this early history, because of "disintermediation" — which became an academic buzz word in the early 2000s for those who were predicting the demise of large, wholesale cooperative business organizations such as Land O'Lakes. This process would be driven, they said, by the Internet, farmer buying groups or small, independent distributors.

However, Land O'Lakes, Fife says, was started by local cooperatives, built on a commitment to serving local cooperative needs and will continue to be viable as long as it maintains and delivers on that commitment.

"Disintermediation is a myth, but consolidation is a reality," says Fife. "The cooperative system is still delivering value and actually growing its market share. By the 'cooperative system,' we mean the retail system Land O'Lakes serves: local cooperatives and their member-owners, as well as CHS Country Operations — all of which add scale and mass to our wholesale business, which helps us be the best provider for the system."

Cooperative assessment

To make sure it was not just insiders at the Arden Hills, Minn., office reassuring themselves that Land O'Lakes was needed and relevant, the regional cooperative went in search of more opinions, from both inside and outside the system.

"We are serious about this," says Fife. "We looked at our ag services businesses with an intense and objective focus. We did draw on internal expertise, but we also hired a leading global consulting firm with extensive experience in agricultural sectors and went out in the country and talked with a significant number of local co-ops to determine what was expected of us and what their needs were."

Working with Land O'Lakes and local cooperative leaders, this consulting firm took an in-depth and objective look at Land O'Lakes Inc., its relevance to the cooperative system and to the overall agricultural production environment.

"They came back and told us that some disintermediation was occurring in the CN [crop nutrients] industry, where there were margin streams for manufacturers and retailers with application and consulting expertise," Fife says. "But at the distributor level, margins were getting very, very thin because CN is a bulk commodity business and lends itself more to a two-step rather than a three-step system."

However, the study also showed that in other areas of agribusiness in which Land O'Lakes was a player there was an important difference.

"They saw an extremely high margin pool shift into seed categories, driven by traits, and that the devaluation going on in crop protection products was lessening and flattening," he says. "So think about what we did in September 2007, when we broke up Agrilience: CPP [crop protection products] moved into WinField Solutions™ with our seed business, which makes sense. And, with CHS being very much in the

commodity, logistics and grain business, it seemed logical for them to handle CN distribution.

"Ultimately, the system analysis helped drive our decision — working with CHS — to take the wholesale pieces of Agrilience and break them apart and put them into the ownership where the skill sets were the strongest."

Fife also notes that in the two years since the analysis was done, the world supply and demand picture has undergone a lifetime's worth of change. This, in turn, makes intermediation vital for local cooperatives.

"We've seen shrinking availability of particular CPP products, so the brokers working out of pickup trucks have been tremendously disadvantaged compared to the days when we had an oversupply and devaluation situation. Now that it's more difficult to obtain active ingredients, generic manufacturers are at a disadvantage as well, and that has made us more valuable as a distributor for basic manufacturers. Frankly, it has cleaned up the marketplace of people who were able to go out with non-value-added, unbranded and cheap generic product."

Non-price variables

Land O'Lakes' cooperative assessment also found that non-price variables are playing a growing role with farmers, large and small.

"The results indicated value in the system's expertise and ability with genetically modified seeds and CPP and seed traits," Fife says. "And given the current supply situation, the availability and stability of supply ranks very high with cooperatives and producers. We did a survey and found that price wasn't always at the top of the list with producers. So, in the future, we will be going to the cooperative system with a package that includes the things that our cooperative assessment showed us are important to farmers."

When he speaks at local cooperative meetings or in one-on-one chats with members, Fife summarizes the Land O'Lakes commitment to them by saying that the organization wants to earn its position as the preferred supplier to the cooperative system and will do whatever it takes to help local cooperatives compete and win. This, he says, will require a shared commitment.

"The formula for cooperative system success has two critical parts," he says. "First is a strong and successful local retail cooperative system and second, an equally strong, successful and supportive wholesale cooperative presence."

A new focus

This strong wholesale presence seemed less than assured when Land O'Lakes flipped over its corporate calendar and started the new century. A hard-eyed look at its balance sheet and businesses convinced the board and executives that some major changes were needed.

In addition to an obvious need to improve the balance sheet, they saw that the company portfolio was too broad,

continued on page 42



Maine Feeds Maine

Teleconference aims to promote growth of state's local food networks

By Jane Livingston
CooperationWorks!

Sitting in a classroom in Lewiston, Maine, 20 or so people are watching a bank of four TV monitors showing three similar classrooms located all across Maine, as well as their own. Even though located up to hundreds of miles apart, everyone in each of the four classrooms sees, hears and interacts with all the others as they discuss the “Maine Feeds Maine” project, an effort to accelerate the growth of local food networks in the state.

In addition to Lewiston in southern Maine, the other teleconference participants gathered in Ellsworth on the northern “Down East” coast, in Dover-Foxcroft in the state’s forested interior, and in Fort Kent on the Canadian border, 350 miles north of Lewiston. Such teleconferences are made possible by the Maine Distance Learning Project, with equipment in more than 90 secondary schools around the state and the ability to interactively link four sites at once.

The multi-site, audiovisual-linked format meant that producers could sit at “virtual roundtables” with retailers, officials, educators and allies without investing the time and expense of a long trip. In all, more than 150 people were involved in the teleconference, with many attending more than one session. In written evaluations, most participants said they benefited from the exchange of ideas.

Participants in Lewiston included senior managers from the Good Shepherd Food Bank, which provided 10 million pounds of food to more than 600 Maine charities in 2007, and Lewiston Mayor John Jenkins. Also included were a few producers and a dozen organizers, advocates, educators and activists who focus on nutrition and health, sustainable agriculture, local food infrastructure, farm policy and related topics. In Ellsworth, a similar broad base of stakeholders met, while in Dover-Foxcroft Cooperative Extension educators joined in. In Fort Kent, most of the participants were producers.

Focus on local food

John Harker, marketing specialist with Maine Department of Agriculture, directed the distance learning system for all four Maine Feeds Maine discussions. He says the project

should have a profound effect on the future of local food networks, and that having producers participate in discussions was a key to the success of the effort.

The project grew from stakeholder discussions with members of Cooperative Maine, a newly formed statewide group of people committed to growing the state’s co-op economy, and the Cooperative Development Institute (CDI), a member of the national service co-op CooperationWorks! Since Cooperative Maine is not yet incorporated, CDI served as administrator for the project grants from Northeast Farm Credit, Farm Credit of Maine and the Maine Community Foundation. CDI staff also played key roles as project advisors and in helping to manage the database, registration and participant communications for a demanding lineup of four multiple-site events.

Cooperative spirit reigns

“Maine Feeds Maine has given people ideas and resources to follow up on and tips on where to find funding,” says CDI Executive Director Jen Gutshall. “It has put them in touch with folks who are a few steps further along a path similar to the one they intend to go down. Not surprisingly, because of the generosity of people sharing all this information, knowledge, expertise, insight and hard-won wisdom, a lot of cooperative activity has sprung from these four sessions.”

Gutshall says this activity includes both “small ‘c’ cooperatives” (those not formally organized as a cooperative, but operating much like one), and “big ‘C’ cooperatives” (businesses that are formally incorporated as cooperatives). “In short, the project accomplished exactly what we hoped it would — probably far more than many people thought it would,” Gutshall says.

For example, a group of young farmers in Washington County in Down East Maine (where unemployment hit 10.9 percent in March 2008) who had drifted apart began meeting again. Carly DelSignore and her husband, Aaron Bell, of Edmunds, live on Tide Mill Organic Farm, which has been in the Bell family for nine generations. DelSignore credits their participation in a Maine Feeds Maine session for sparking new energy to explore cooperative ventures. She says she values co-ops not only for the economic benefits members derive from them, but as a means to build community with neighboring farm families. (For more

Co-op Summit slated for Indiana

The Indiana Cooperative Development Center (ICDC) is planning another Co-op Summit Conference in October. Last year's summit "really spotlighted how cooperatives empower people to improve the quality of their lives," says Debbie Trocha, ICDC's executive director. "This type of forum helps cooperatives create new business-to-business opportunities for themselves, and focuses attention on making the cooperative business realm as solid as it can possibly be. This year we plan to use all local speakers from Indiana cooperatives."

The summit will include interviews of co-op officers and members by a local radio host and a panel showcasing the diversity of the cooperative business model. A "best practices" session will be followed by a session in which co-op challenges and solutions will be discussed. The summit will conclude with local wine-and-cheese tasting.

The one out-of-state "import" on the slate is Brent Hueth from University of Wisconsin Center for Cooperatives, who will talk about the results of research on the economic impact of cooperatives in the United States and, in particular, in Indiana. Although cooperatives contribute more than \$210 billion to the nation's economy, employ more than half a million people and serve nearly 130 million members, the cooperative business model is still not widely understood – even by the millions of people who purchase goods and services from co-ops.

The Indiana Cooperative Development Center provides innovative, results-oriented and cost-effective services to cooperatives and related organizations. Visit their Website: www.icdc.coop.



information about the farm, visit: www.tidemillorganicfarm.com.)

Producer-oriented distribution

Maine Feeds Maine also brought Tide Mill Farm — which produces organic chicken, pork and grass-fed beef, produce, milk (sold under the Stonyfield brand), fruit and other products — together with Crown O'Maine Organic Cooperative (COMOC), a statewide distributor of local food supplied by more than 35 Maine producers. COMOC is



Making hay on the Tide Mill Organic Farm near Edmunds, Maine. Carly and Aaron DeSignoire Bell represent the eighth generation of the family to run the farm, which raises organic meats, vegetables, milk and balsam products. Below: Paige Bell tries her hand at swine herding. Photos courtesy Tide Mill Farm

based in the far north of the state, operating from the Grand Isle farmhouse of Jim Cook. The Cook family operated a thriving organic potato farm before starting a successful local food distribution company. COMOC travels five routes across the state year around, picking up and delivering local food to local people. "Doing a route like the [Down East] one is very resource-intensive," Cook points out. "We need more stops along the way."

Now COMOC has established a new route that links Tide Mill Farm and

Washington County with existing runs further south. New buyers have come on board all around the state, in the form of restaurants, retail stores, schools and local buying clubs. The COMOC Website was recently overhauled by Tom Roberts, co-owner of Snakeroot Organic Farm, who met Jim Cook through their participation in Maine Feeds Maine. Roberts also authored a primer on "How to Start a Buying Club," which COMOC hopes will spur growth of these small-scale buying groups.

"The story of how the Crown O'Maine hooked up with Washington County and Tom Roberts is one example of how the Maine Feeds Maine discussions moved all this activity forward by connecting people who might not have found out about each other for years, or ever!" says CDI's Gutshall. CDI is now working to promote additional Maine Feeds Maine efforts in the Down East region and elsewhere. A lively program about the project aired Jan. 25, 2008, on WERU-FM community radio's "Talk of the Towns" hosted by Ron Beard, a Cooperative Extension educator who facilitated three of the Maine Feeds Maine sessions. It is archived at: <http://shows.weru.org/archives/talk-of-the-towns/tott-20080125>. ■

Rural Cooperatives 75 Years

On 'the street' and in cyberspace, Rural Cooperatives still spreading word about power of co-op business

By Dan Campbell, editor

It was 1934 when E.B. Reid, director of information for the Farm Credit Administration (FCA), asked editor Bill Maddox to develop a new publication to communicate information about the nation's farmer-owned cooperatives.

"Initially, the aim was to make the most up-to-date cooperative information we could get available to the FCA staff, with a particular interest in marketing and purchasing cooperatives," Maddox wrote in an article in 1956 that celebrated the publication's 25th anniversary. "However, along with several others, I nurtured the hope that we would soon reach out to a wider audience."

Called *News for Farmer Cooperatives*, the 8-page, mimeographed monthly initially carried no photos or artwork. It was primarily intended for an internal audience at USDA and the Farm Credit Administration (which was then a part of USDA). "No copies were 'on the street,'" Maddox recalled.

But the publication quickly grew in page count and scope while adding photos and charts. Maddox also soon got his wish to begin circulating it to cooperative leaders and many others who worked with cooperatives, such as farm lenders, cooperative extension staff, ag educators and others. The mission of the new periodical was to carry articles designed to help producers improve their co-ops and increase understanding of the co-op business model.

Today, 75 years after its launch, the magazine is not only "on the street" among the nation's cooperative leaders, it is also in cyberspace, circulating around the globe via the Internet, where it is drawing an increasing number of readers eager to learn more about cooperative business.

1926 Act launched effort

USDA first formed a special office to assist cooperatives following passage of the Cooperative Marketing Act of 1926. According to a 1952 article commemorating the 25th anniversary of the Act:

"The idea was for USDA to broaden its research and education services for farmers to include more work on their marketing, purchasing and business service problems...a job they felt could be done only by working together in cooperatives. They wanted the Department to study cooperative theory and how farmers actually practiced it." This would be done "in order to point out pitfalls, practices to follow and to set out guideposts for these farmer groups to follow...marks blazed by the paths successful co-ops had already taken, and 'danger' signs posted by unsuccessful ones."

The new periodical, it was decided, would be a key tool to accomplish this goal.

The Farm Credit Administration, the original home of USDA's cooperative agency, became an independent government office in 1953, but the Cooperative Research and Service Division remained at USDA, although its name was changed to the Farmer Cooperative Service (FCS). In 1994, FCS (called the Agricultural Cooperative Service by that time) was one of several agencies transferred into USDA Rural Development.

Over the years, the editorial mix of the publication has stayed fairly consistent, although the look, content and even the title (it became *Rural Cooperatives* in 1996) have certainly changed with the passing decades.

On its 75th birthday, the basic goal of *Rural Cooperatives* remains the same: to help make the nation's farmer-owned and other rural cooperatives stronger. The more people understand democratically governed cooperatives, the more

of Chronicling Co-ops



these member-owned, member-benefited businesses will be used. Cooperatives are, after all, the ultimate self-help business tool.

While the magazine's focus remains farmer cooperatives, it now also carries articles on rural utility cooperatives and some other types of rural co-ops. It still carries highlights of USDA research on farmer co-ops and co-op statistics compiled by USDA, as well as profiles on successful or innovative cooperatives. Some articles also examine co-op failures and the reasons for them.

The content naturally reflects the trends and business cycles of agriculture and cooperatives. For example, in recent years, many articles have reflected the soaring interest in

renewable energy and the role of farmers and other rural people in this rapidly evolving industry. Whatever endeavors cooperatives pursue will be reflected in the magazine.

On the following pages, excerpts from past articles will remind us of how much some things have changed for co-ops, while others indicate how much things have stayed the same. The goal is not to focus on the biggest co-op news stories of the day, but rather to give the flavor of a typical magazine of the time. Hence, article excerpts were pulled from random samples of the magazine.

The following excerpts are from the 1930s through the 1960s. In the next issue, we will take a trip from the 1970s through the present.



1930s

Hold member meetings only when needed

Robert Amundson of the University of Wisconsin Co-op Extension must have sat through one too many boring co-op membership meetings, so he took

them to task in this 1936 article:

“Co-ops live by savings, yet in most cases their methods of conducting [member] meetings are wasteful. The time and patience of the people are dissipated with a recklessness unbecoming an otherwise well-managed business. In a meeting, you are on exhibit and by inference the business methods of the organization are displayed before your members. An organization cannot afford slipshod methods.

“If we ask people to give up some of their leisure time, of which they have little, we should have regard for the



Rural Cooperatives



sacrifices they make and use that time to the best advantage. An evening meeting with 100 people costs somebody \$100. How often can we honestly say that we imparted \$100 worth of information?

“A farmer hasn’t much leisure. And it is not right to dissipate what little time he has for reading, visiting or listening to the radio...by corralling him into a hall to waste his evening over some trivial matter, bombard him with oratory, or fritter away an evening on a matter that could — if organized and handled properly — be settled in a few minutes.”

Avoid temptation to over-pay members

S.D. Sanders, Cooperative Bank Commissioner, writing in 1936, addresses a basic co-op business tenant that has caused many a co-op to stumble:

“Most cooperative failures result from lack of a thorough understanding that a co-op is a business institution and should be regarded as such. The very best business policies available should be adopted to direct the destinies of a cooperative marketing agency, linked up with good, conservative cooperative principles.

“There should be a marketing agreement from each producer, and each producer should contribute his pro rata part toward building up a sound financial structure for the association. Then you’ve got something.

“Oftentimes, farmers...are so concerned with their own personal need of financial aid that they are prone to overlook the fact the cooperative has its limitations. They would unconsciously pull the financial structure from under their own institution. Their demands for cash many times force management to pay too much for the product. Many associations have gone under for just this reason.”

Pruning the ‘deadwood’

J.W. Jones, principal ag economist for the Cooperative Division of the Farm Credit Administration (FCA), in 1936 urges co-ops to maintain accurate membership roles:

“Many cooperatives have a high percentage of inactive

members. In fact, some associations using a certain type of membership agreement have had two or three times as many ‘members’ as used the association’s marketing service in a single year.

“Some associations have made no provision for the withdrawal of members, except by means of a formal withdrawal provided in the contract, or by exclusion from the association by the board of directors. This has resulted in some associations having so many inactive and indifferent ‘members’ that they have been unable to secure a quorum....

“If the cooperative is to be really ‘farmer-owned’ and ‘farmer controlled,’ some means must be developed to purge the membership rolls annually and to develop a closer relationship between the member and his organization.”

Revolving capital co-ops grow in popularity

In the cover story from the July 1939 issue, E. A. Stokdyk, FCA deputy governor, focuses on a growing trend among co-ops:

“Revolving capital co-ops are becoming increasingly popular because they are providing greater and more equitable benefits to thousands of American farmers. In California, more than 200 associations operate on the revolving plan. In Iowa, nearly 100 farmers’ elevators are being freed from debt and restored to producer ownership by means of revolving capital.

“Because revolving capital has provided money to build so many successful associations and has rescued so many others from almost helpless indebtedness, the plan is regarded by many primarily as a method of financing. However, it affects nearly every phase of activity. These plans have meant not only a more equitable distribution of financing the co-op, but also a more equitable distribution of cooperative benefits.

“The objective of revolving capital is that every farmer should benefit from his cooperative exactly in proportion to the use he makes of it. The principal of ‘benefits according to patronage’ is as old as cooperation itself.

“Some 100 years of cooperative experience proves that

Cooperatives, too, are efficient . . .



The National Cooperative University of Iowa, Iowa City, has just published a new report on the 1940s. It is the first of a series of reports on the cooperative movement in the United States.

More than 100,000 people are employed by the cooperative movement in the United States. The report is a study of the cooperative movement in the United States.

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More than 100,000 people are employed by the cooperative movement in the United States. The report is a study of the cooperative movement in the United States.

"Now tell mamma what is a Revolutionary Fund!"



without continuous membership interest and responsibility, a co-op inevitably drifts into private hands. Thousands of farmer co-ops have failed

because their stock accumulated in the hands of outsiders and non-producers who were more interested in stock dividends than in effective marketing and purchasing."

Use of penalty provisions in marketing agreements

"Problems Facing Your Co-op," a question and answer column, addresses a wide variety of co-op issues. This example is from July 1939:

Q. "What are the desirable and undesirable features of a penalty clause in a marketing agreement?"

A. "If the co-op is not going to bring any lawsuits for enforcing marketing agreements, I do not see any reason at all for having a penalty provision in the contract. On the other hand, if they do believe they are going to bring suits for the enforcement of contracts, then the advantages of a penalty provision is that it gives a rule for ascertaining the amount of damages suffered.

"If you do not have such a provision, you may have a hard time proving the amount of damage done to the association." The author goes on to say that these penalty provisions should be based on a clear formula, citing the example of a cotton grower who violates his contract to market 10 bales of cotton outside the co-op, thus inflicting a loss to the association of \$10 per bale, or \$100.

The judge says...

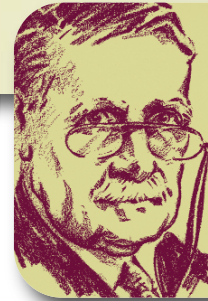
By November 1939, the Q & A column had a new name: "The Judge says..."

"Q. Have farmers gained anything more than permission to organize cooperatively under the Capper Volstead Act?

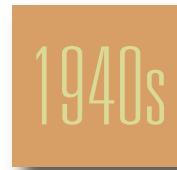
A. It has resolved all doubt of the right of farmers, at least so far as federal statutes are concerned, to come together and organize [in cooperatives].

Q. Have they gained anything?

A. Yes. Before the enactment of Capper-Volstead, there were a number of instances in which the officers of cooperative associations were arrested and put in jail."



The Judge says . . .



War and co-ops

During the World War II years, the magazine naturally had many articles devoted to the critical role farmers and their co-ops were playing in the war effort. From the February 1942 issue, FCA

Governor A.G. Black had this to say of the challenge:

"As we get further into the war and extend our efforts to feed the nation and supply certain foods to our allies, we will realize more and more what it means to produce under war conditions. War has not only upset our calculations as to what we need to produce, but it has made it impossible, or impractical, to import certain products upon which we have come to depend in whole or in part.

"Before Pearl Harbor, the Philippines and Hawaii shipped many tons of sugar to us. We shall not get any sugar from the Philippines, and the Hawaii supply will be curtailed because of the necessity for the Islands to become more self-supporting through diversification. Cuban output will be available to us, but it, plus our normal production of cane and beet sugar, will be inadequate."

Black goes on to urge a strategy of increasing domestic production and extracting more sugar from molasses, as well as encouraging more sugar production in America's other "Western Hemisphere island possessions."

Rural Cooperatives



75



questionable practice. There remain close to 2,500 of them — not as many as in the days of the ‘long margins’ — to police the field at the local grain-shipping points and ensure the continuance of low-cost, efficient handling.”

War’s impact on preparing for co-op labor peak *Henry Hensley and Anne Gessner, FCA Co-op Research and Service Division, from May 1943:*

“Food processing co-ops will do their full share of war-time production this year only by dint of the most careful planning. The importance of this planning to the war itself is evidenced by the fact that most of the food that reaches frontline fighters must be processed, canned, dehydrated or concentrated, and co-ops play an important role in producing these processed foods.

“The most serious problem in meeting 1943 food-production goals is manpower. Plants located in or near the labor-shortage areas obviously have the greatest problems. These plants are losing their experienced workers to other war industries paying higher wages. All plants are losing workers to the armed forces.”

The authors go on to recommend a number of steps to deal with the situation, including seeking draft deferments for key employees, making temporary transfers from farms to plants, making better use of existing labor through training programs, recruiting of new labor and paying adequate wages.

Co-op rewards battle bravery *A news brief from the August 1945 issue:*



“Six survivors of the famous battle of Bastogne, who yelled ‘Nuts!’ to the German demand for their surrender, were

Grain co-ops switching to regional marketing

Harold Hedges, FCA principal ag economist, 1942:

“Doing nicely, thank you! In four words, that sums up the operating results of the regional grain marketing cooperatives for the 1940-41 crop year. Furthermore, that has been the story since 1938, a year which marked the transition from terminal marketing on a national scale to marketing on a regional basis. Hence, 1940-41 adds one more year of successful experience as proof that the decision of cooperative leaders in 1938 was a sound one.

“Cooperatives have been, and continue to be, a major cost-reducing factor in grain marketing. Growing numbers of farmers’ elevators in local markets over the past half century have been mainly accountable for the material cut in local grain-handling charges and the elimination of more than one



each presented with a five-pound bag of the same – Diamond walnuts from the California Walnut Growers Association. The presentation was made by the Los Angeles Chamber of Commerce when the servicemen visited the city.”

Institute promotes understanding of co-ops

The American Institute of Cooperation (AIC) was founded in 1925 to promote better understanding of cooperative business, but it ceased holding its annual institute during the war. At war's end, AIC was ready to jump-start the meeting. AIC President Raymond Miller discusses the task in the August 1945 cover story:

“The Institute has a particularly large and difficult field to cover in bringing the desired understanding of cooperatives to the general public. Much of this effort will be directed at working with leaders of other groups to make sure that they understand cooperative principles so that they in turn may carry this understanding to their individual members.

“The Institute will also work with cooperatives to help them develop methods for promoting a greater understanding of their organization and general cooperative principles among their employees, members and non-member farmers and others in their localities. AIC is functioning chiefly as a contact with the general public and as a clearing house for ideas and information. If individual co-ops are to get the greatest good out of the Institute's program, they will find it necessary to continue to step up their programs of member education, employee training and public relations.”

MFA markets high-grade seeds

From April 1946:

“One-third of Missouri farmers will be buying high-grade seed from Missouri Farmers' Association (MFA) through the local exchanges within the next few years, if present plans pan out. Co-op spokesman H. E. Klinefelter [Editor's note: namesake for today's outstanding co-op communicator award] says the association is launching an extensive hybrid

corn production program, and within five years expects to be able to provide annually 100,000 bushels of low-cost, excellent quality, certified seed. Klinefelter says the seed may sell for as little as \$3.50 a bushel, about half what is being paid now.”



Patronage checks bring smiles in Minnesota

From April 1946:

“Cooperation does pay,” say members of the Farmers Union Central Exchange in St. Paul, Minn. Proving it were checks for \$125,000 issued earlier this year, which retired at par all stock issued by the exchange in 1935 and 1936. This payment retires all stock issued in the years 1931 to 1936, inclusive, amounting to about \$225,000.”

Why advertising is important for co-ops

From March 1948:

“Sooner or later, in all discussion relating to the use of advertising by co-ops, this statement is heard: ‘Our members know that they can get certain goods or services at our co-op. Why spend their money to tell them about it?’

“In theory, this position is logical. But actually, it is neither logical or true. It is based on the false assumption that members know what goods or services their co-op offers. It also rests on the assumption that all members are completely sold on the quality of all co-op goods and services. Investigation soon discloses the weakness of both assumptions.”



Rural Cooperatives

1950s

Large end up! From farm to frying pan

From December 1950:

“One way for poultry cooperatives to help members increase their returns is by getting them to pack their eggs with the big end up, or small end down – whichever way you prefer to say it. This is an educational job that can use the combined efforts of everyone in the organization who has anything to do with eggs.

“Surprisingly enough, after years of driving this point home, many members still pack eggs without watching to see if the little end or big end is down. This is especially true in the Middle West, where it is perhaps as important a factor as dirty shells for downgrading a producer’s eggs.”



Challenge to dairy breeding co-ops

From December 1950, Donald Hirsch, FCA Co-op Research and Service Division (CRSD):

“Cooperatives providing artificial insemination service for dairy cattle have a real challenge to meet. During the first 10 years of growth, 1938-1948, the co-ops were concerned primarily with internal problems of organization and operation. During the latter part of that period, and in years following, the situation changed materially.

“Competition now exists between organizations owning bull studs. Such competition is keen between co-ops whose service territories have overlapped. But it is the competition between co-ops and non-cooperatives that has become significant. Co-ops did most of the pioneering in artificial insemination service for dairy. Now their leadership is being challenged.”

Rockingham Poultry builds broiler turkey business

From Dec. 1951, Henry Bradford, FCA:

“Rockingham Poultry Marketing Cooperative, Broadway, Va., has met the merchandising challenge for consumers who now want lightweight turkeys. As early as 1943, Rockingham saw the promise of this market. Its plans, hampered under price ceilings during the war, have made tremendous strides during the past two years.

“In 1950, the co-op marketed about 450,000 Beltsville White turkeys, and a substantial percentage of these were moved as broilers. Since many growers now raise three flocks of broiler turkeys per year, they need to be pretty well assured the consumers will buy their type of bird before going ahead with such an intensive, specialized, production-line job. Here is where the merchandising experience of Rockingham was able to help [by studying consumer preferences regarding size of bird, etc.]”

Milk in a jug popular

From “Co-ops in Action” Dec. 1951:

“Now it’s: little white jug, Chicago loves thee — at least if you look inside the jug. Jugged milk sold in stores has helped replace all but 10 percent of the quart-bottle home deliveries in this city. According to a spokesman for 12,000 Pure Milk Association members, this milk is also giving the farmers a larger share of the milk dollar.”



Quality Vital for Fruit & Vegetable Co-ops

From Jan. 1955, J. Kenneth Samuels, FCS, Fruit and Vegetable Branch:

“Fruit and vegetable cooperatives today market more than \$1 billion worth of products for farmers. That is indeed a



large figure, even at today's prices. But what does it actually represent? Not the business of one, or even a few organizations, but rather the combined efforts of almost 140,000 producers who own and control nearly 800 marketing associations. They account for about 10 percent of the marketing volume of all cooperatives, with only 3 percent of the memberships.

Fruit and vegetable cooperatives must strive for quality improvement. They have been in the forefront in paying producers on the basis of grade for raw products and have set up pools on the basis of quality and size differences. This has made producers quality-conscious and encouraged them to follow production and harvesting practices that enable them to deliver top quality to their co-op.

Should co-ops rotate directors?

Irwin Rust, FCA, April 1956:

"Important decisions every farmer co-op must make are: how to select directors and for how long a term. One suggestion is that co-op boards should rotate membership at regular intervals. Periodic rotation, it has been argued, will inject new enthusiasm, new ideas, and new perspectives on old problems. Some proponents of rotation advocate specific bylaw provision that a director may not succeed himself for more than the specified number of terms in office.

"But others feel that arbitrary termination of board



membership may cost the co-op dearly. It is one thing to be able to eliminate unwanted board members, but quite another to force a good man out of office. Automatic rotation runs this risk, since the criterion becomes length, rather than quality, of service."

Co-ops process and market cottonseed

Daniel McVey and Jane Scarce, FCS, August 1956:

"Cottonseed — processed and marketed by cooperative mills — finds its way into such diverse products as food shortening and cattle feed, mops and surgical dressings, paints, meat casings, soap, printing inks, twine and explosives. During the 1955-56 season, 14 cooperative cottonseed oil mills will probably process about 10 percent of the total cottonseed crushed. In 1954-55, they crushed about 550,000 tons. The resulting products — oil, meal, linters and hulls — went into more than 30 products that fill many needs in our everyday lives."

Ceremonies honor 30th anniversary of Co-op Marketing Act

Beryle Stanton, FCS, Sept. 1956:

"More than 400 people paused an hour in Washington, D.C., on July 11 to commemorate one of the most important landmarks in farmer cooperative history: the passage of the Cooperative Marketing Act in July 1926. During a ceremony at USDA headquarters, Assistant Agriculture Secretary Earl Butz said: 'Cooperatives are the best training ground I know of for democracy.'

"Then a number of people who had helped breathe life into the Act 30 years before reminisced briefly on how the Act was born. Charles Holman, retired secretary of the National Milk Producers Federation, recalled attending the drafting conference for the bill. 'Out of my 35 years experience on the Hill, I would say it was one of the easiest bills to get through Congress. Leaders there recognized the



Rural Cooperatives



real need for setting up an educational service organization [for co-ops].’ A new FCS-produced movie, “Farmer Cooperatives Today,” had its first public showing during the program.”

Proper use of credit pays at Garden City Co-op in Kansas

Arthur Pursell, FCS, Sept. 1957:

“Credit can be properly used by farmer cooperatives, as is being demonstrated at the Garden City Cooperative Equity Exchange, a farm supply co-op. In 1954, directors and management, with full approval of the membership, decided to go on a pay-as-you-go basis — with a 30-day extension of credit where adequate guarantees for prompt payment were established. Accounts receivable stood at \$51,000 at the time. In December 1955 — 18 months later — farmer accounts receivable were under \$5,000, and this favorable record was accomplished at a time when Kansas farmers were fighting severe drought conditions.

“Reasons for this turn for the better were basically three: First, there was a united support for the program — members, management and directors all approved. Second, the co-op did sufficient educational work to sell the program to the farmers. Third, they kept the mechanics of the program sufficiently versatile to meet the situational needs of different farmers.”

Co-op editorial association takes the clinical approach

The April 1958 issue was dominated by articles about how co-ops can improve their communications programs, including an article from Philip Dodge, corresponding secretary of the Cooperative Editors Association (forerunner of the Cooperative Communicators Association), with highlights from the group’s latest conference:

“Each spring since 1952, editors of a wide variety of co-op papers, from mimeographed newsletters to slick journals, have gathered on a university campus for a two-day, deep-

digging look at whys, wherefores and how-to’s of their ‘sheets.’ Not only do the editors hear presentations by journalism experts, but most all of the co-op editors at the CEA conference seem to benefit from the free and frank criticism from people qualified to judge their papers, and from each other.

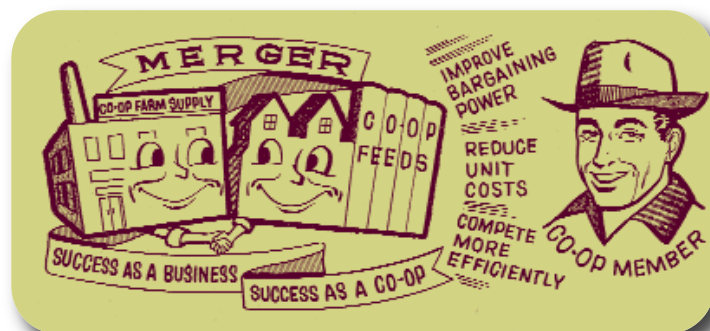
“These critics have literally torn the co-op papers apart, item by item in many cases, studying headlines, layout, use of pictures — all elements.”



Citing the merits of merger

Milton Manuel, Kansas State University, December 1960:

“Why do many businesses find it economically desirable to operate larger units? The significant reasons probably are to reduce per-unit cost, improve bargaining power, and to



compete more effectively with other firms.

“Mergers can also contribute to more effective management [since a higher skilled manager can be afforded] and make it possible for the co-op to have a more effective member-relations program (such as producing a co-op publication), and have improved accounting, such as machine accounting.”

News for Farmer Cooperatives



to begin producing electricity. The Rural Cooperative Power Association, Elk River, Minn., has 22,000 kilowatts of generating equipment to use steam from the reactor. With a loan of more than \$15 million from the Rural Electrification Administration, the co-op also added another 50,000 kilowatts of conventional power-generating equipment.

Much work and some play at SSC's annual meeting

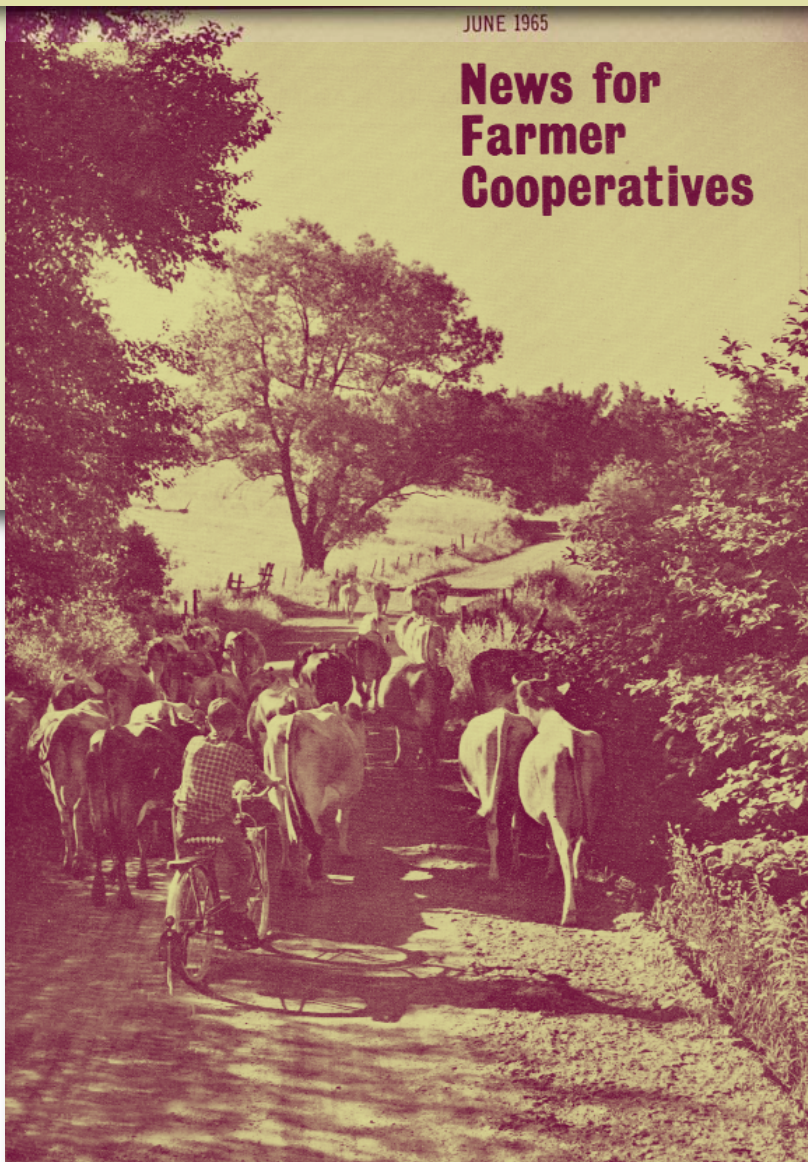
How to make annual meetings both informative and fun to draw members is always a challenge for co-ops. In Feb. 1962, Mildred Haun of FCS reported on a novel approach taken by Southern States Cooperative.

“A little fun made work more enjoyable for Southern States Cooperative’s 38th annual meeting at Richmond. Group singing of such songs as ‘Carry Me Back to Old Virginny,’ and ‘Take Me Out to the Ballgame’ first thing Thursday morning put the audience in a receptive mood for the business that followed. The meeting also featured a Farm Talent Roundup contest, hosted by Ted Mack of the Original Amateur Hour television show.”

Call for vigorous action issued at conference

Beryle Stanton, FCS, July 1963:

“Cooperatives and the Future — a national conference being called a milestone in co-op history — drew 500 top co-op managers to Washington, D.C., to chart a more vigorous cooperative action program. One of the highlights of the trip was a meeting with President John F. Kennedy in the White House Rose Garden. Kennedy spoke of ‘the great need to uplift rural income,’ and said he ‘was hopeful this cooperative group will develop an effective program for the 1960s.’ President Kennedy also said he hoped co-ops would expand their already generous efforts to help people in the underdeveloped areas of the world and strengthen their



New uses for milk

In an article highlighting the important role of co-ops in doing market research and development, Jack Hackelthorn of Missouri Farmers Association wrote this in July 1961:

“New and better uses for milk. That is the byword for the farmer-owned Producers Creamery Co. of Springfield, Mo., a part of the Missouri Farmers Association. The PCC sponsors a continuous research program to find new ways of using milk and to improve old ways. The co-op’s research efforts were recently consolidated in its own building.

“One researcher may be working on a dietary food for weight watchers while another is developing baby food. To reduce the cost of shipping milk in cans to markets in the East — and paying freight costs to return the cans — the research staff got busy and developed a collapsible cardboard box with a plastic liner. This cut freight costs and improved storage-life of the product.”

First co-op to produce atomic power

From “Co-op Flashes” column, July 1961:

Mid-June was the date for the first atomic power reactor

Rural Cooperatives

75

President John F. Kennedy greets co-op leaders attending the 1963 National Conference on Cooperatives and the Future in the White House Rose Garden.



economies through cooperatives.”

Will you be in business tomorrow?

Joseph Knapp, FCS Administrator, June 1965:

“I have watched farmer co-ops grow, decline, fall and rise again for some 40 years. It has been a period of tremendous changes [during which] cooperatives have done fully as well as other forms of business enterprise serving farmers. There have been adaptations, reorganizations, expansions and many failures. But the central cooperative root has continued to grow.

“I have often pondered why some co-ops have grown with the times, while others have fallen by the wayside. Here are key factors: 1. Good management — this is vital; 2. Build bargaining power — this requires having organizations that are big enough to count. 3. Plan wisely — most co-ops do not do enough forward thinking, but this is changing; 4. Mold understanding through strong communications; 5. Fit organization to function — organization must perform function and should provide flexibility to change. 6. Keep up with the news — [meaning evolving technology and science]. For example: ‘A co-op with a computer is in the agricultural near future,’ according to an article in the ‘Washington Evening Star.’”

Grain co-ops ‘Must step out together’

Daniel H. McVey, FCS, July 1969:

“Co-op spokesmen for 1 million grain farmers whose cooperatives handle some 40 percent of the marketable grain in this country heard warnings of tests to come in the year ahead. This took place at the annual spring meeting of the



National Federation of Grain Cooperatives in Washington, D.C.

“Federation President J.H. Dean (who is also executive vice president and general manager of Far-Mar-Co Inc. in Hutchinson, Kan.), spoke of unrest among grain producers in this country. He said it was time cooperatives stepped out to jointly develop a program that would help farmers increase their returns from wheat and feed grain production.

“FCS Administrator David Angevine said: ‘Local cooperatives face especially great difficulties. It seems to us that widespread consolidation is the next big step in guaranteeing their continued usefulness to grain producers. Among your regional co-ops, we hope you will move even more swiftly into processing than you have in recent years.’

He suggested that the Federation can do a great deal to stimulate consolidation of local grain marketing cooperatives.” ■

Editor’s note: to be continued in the Sept.-Oct. issue.

Sec. Schafer meets with NCFC leaders

Agriculture Secretary Ed Schafer met with leaders of the National Council of Farmer Cooperatives in June during NCFC's third annual Co-op Country Barbecue at USDA headquarters in Washington, D.C. The lunch meeting on USDA's patio courtyard was the concluding event of the 2008 NCFC Washington Conference, which brought about 150 farmer cooperative directors, CEOs and staff to the nation's capital to hear from key policymakers and Washington insiders.

Topics discussed during conference sessions included the effect of rising commodity prices on cooperative risk

management, legislation to institute a cap-and-trade system for carbon emissions, and what needs to be done to ensure that transportation infrastructure allows American agriculture to remain competitive globally.

"One measure of strength in farm cooperatives is their durability," Secretary Schafer said. "Like the land itself, the organizations are built to last, with many celebrating major milestones. For example, West Central in Ralston, Iowa, is celebrating its 75th anniversary this month. CHS just notched its 75th anniversary last year, and Aurora Cooperative in Nebraska is turning 100 this year, just to name a few. So congratulations to you all."

Attendees went to Capitol Hill, making nearly 100 visits to congressional offices. While there, they helped to put a farmer's face on their cooperatives and emphasized NCFC priority issues on Farm Bill implementation, appropriations, agricultural labor needs and international trade.



Agriculture Secretary Ed Schafer is flanked by NCFC Chairman Bill Davisson of GROWMARK, and NCFC President Jean-Mari Peltier (who is leaving the position at the end of August). Above: NCFC members concluded several days of Congressional visits with a barbecue lunch and co-op product displays at USDA headquarters. USDA Photos by Ken Hammond





Burnett Dairy Co-op

Alpha, Wisconsin

Editor's note: Burnett Dairy cooperative is a diversified dairy, grain and farm supply/services cooperative with roots that extend back more than a century. Rural Cooperatives writer Anne Todd recently posed these questions to Controller/Administrative Manager Paul Bauer.



Q: What is the Burnett Dairy Cooperative?

The Burnett Dairy Cooperative (BDC) has its roots in two creameries, the Wood River Cooperative Creamery (established in 1896) and Branstad Cooperative (established in 1897), with a long tradition of serving dairy producers. BDC was created when the two smaller co-ops realized that only a larger cooperative could remain viable as a place to sell milk. The two cooperatives merged in 1966 and became the Burnett Dairy Cooperative.

Today, the Burnett Dairy Cooperative's main facility in Alpha, Wis., is a rural complex handling milk, whey, a retail cheese store, bulk and retail petroleum, hardware, propane, a feed mill, grain storage, tires, small engines, agronomy services and a rental shop. The Alpha site includes the cheese factory, corporate offices, the cheese store, the feed mill and grain storage facility, and a feed, fuel, fertilizer and hardware store. BDC also has two sub-locations for propane tanks and a fuel tank depot. BDC is owned by the people that use its services and it exists to serve its members.

A few years after the Burnett Dairy Cooperative was formed, BDC started making Italian cheese. BDC was one of the first cooperatives in the United States to enter into this venture and make this "new" type of cheese. Today, Burnett is recognized as a world champion cheese maker.

The mill side of the business has grown, too. Both founding cooperatives had their own mills. Slowly, over time, the mills were consolidated into one mill located at Alpha.

At present Burnett Dairy is the last remaining dairy plant in the county.

Q: How many members does the co-op have?

BDC has both active and voting members. There are about 3,500 active members of the cooperative. Voting members must have at least \$5,000 in qualified agricultural sales. Burnett has about 350 to 400 voting members.

Q: Although the co-op's primary income-producing commodity is cheese, you also sell fuel, fertilizer, feed, tires and other items. How did the co-op get into this level of diversification?

While it is true that BDC makes a "commodity cheese," our cheese makers have crafted the product so that its attributes meet our customers' needs. That limits our exposure related to selling in a commodity market.

The cooperative has mostly undertaken internal growth. BDC has taken small steps to make sure the production needs of members are met

and, with that in mind, diversification has grown to include propane, small engines, tire and light automotive repairs, fuel, a custom spraying application, lime spreading, fertilizer, nutrient consulting and all the hardware items needed to keep our members' farms or other small businesses going. BDC is here to serve its members, and with that comes the need to provide diverse services.

BDC is located in a great spot, at the northern edge of a commercial agriculture region, next to prime lake and recreational lands and near vast forests.

Q: Burnett reached a milestone in 2007 with more than \$100 million in sales. Can you share some of the major strategic decisions the co-op has made that has led to this growth and success?

The strategy is very basic: provide good service, good value and make money so that the cooperative will be here in the future to serve its customers.

Q: Tell us about some of your major awards for your cheeses. Do these influence sales?

BDC began Italian cheese-making at the start of the cheese's popularity — just as pizza was becoming a major part of the American diet. To our cheese makers' credit, we entered a world cheese contest and took not only first place, but also grand master cheese and cheesemaker. We are one of the few, if not the only, U.S. cheesemakers to win



Dale Olson (center), Burnett cheese plant manager, is the last U.S. cheese maker to win the World's Master Cheese Maker award. He is flanked by the plant's other main cheese makers. Photo courtesy Burnett Dairy Co-op



that honor.

The real winner is the customer, because the cheese that we enter in the contest is the same cheese we make every day. When we win a 'best in class' — as we did this year in 'Aged Provolone' (also taking second place) — it's an award for the great milk supply from our farmer-owners and the cheese makers who crafted the cheese.

The awards are a great way to get recognition in the marketplace, but to keep customers, we need to deliver the product the way they expect it, every time.

Q: Other than having an online retail store, what other options is Burnett considering to increase marketing of your products?

BDC is starting to look at more interactive ways to meet new customers both for the dairy and agricultural supply areas of operation. The company is starting to focus more on marketing events. We work the shows as either a participant (for example, through the Wisconsin Milk Marketing Board) or create our own trade shows or educational programs. Both opportunities give BDC a chance to develop long-term relationships that should result in better sales opportunities.

Q: You recently closed the Webster Co-op due to operating losses. What

happened with Webster, and what steps did the board and management take to address that situation?

There were mixed feelings about the Webster Co-op merger. Webster did bring to BDC the benefit of recreational accounts for propane and other services. However, the Webster co-op was not located on the main highway so it did not have a good exposure to non-local customers. Additionally, several other convenience stores were built in the area, and the feed mill section of the Webster plant did not have sufficient volume to justify a stand-alone location. In the end, it was more economical to close the plant. There just wasn't enough customer traffic to justify the second location.

We are, in turn, wholesaling products to local merchants in the area and still meeting the needs of local propane and feed customers through the Alpha site.

Q: What are you doing to ensure future profitability of the co-op?

In the past year, the board has added a controller/administrative manager to assist in protecting and improving company assets. The board is focusing on department profitability and helping management improve each department. The goal is to manage the resources for the long-term commitment to the community.

The board has been reviewing and

implementing items in its strategic plan to continue its success.

Q: What has been the biggest challenge facing the co-op? Biggest obstacle overcome?

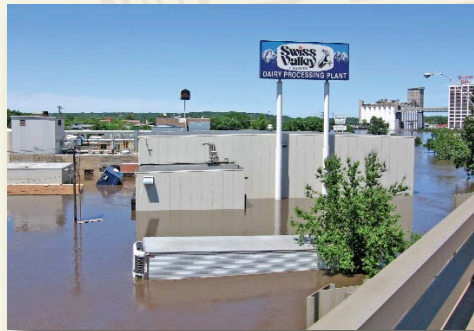
In the past, the biggest obstacle was to make good cheese. No one outside of the traditional Italian families made Italian cheese, and for the early operators to take that on was truly a challenge. They improved to the point that they make it look easy today.

The new challenge that BDC faces is the rapid change of business. Changes in everything from commodity prices of grains, fuel, milk, propane and fertilizer, to the speed at which information is exchanged. A few years ago, one could plan in yearly or semi-yearly blocks, but now one needs to adapt daily to the changing market conditions.

Q: What are the expected results of putting more of Burnett's profits into the general reserve?

Putting more funds in the general reserve is a good thing. Part of being a viable, strong cooperative is being able to retire equities in a timely manner and, thankfully, BDC has been able to establish that tradition. We look forward to continuing that tradition, and by putting more funds into reserve it can help achieve that goal. ■

USDA Rural Development funds available for disaster relief efforts



Swiss Valley Farms' cultured products plant in Cedar Rapids was inundated by the Iowa River on June 12. Some of its members' farms and homes were also hit by the flooding and by tornadoes. Photo courtesy Swiss Valley



Rescue workers survey tornado damage May 12 at the First State Bank in Parkersburg, Iowa. Photo by Robin Wagner, courtesy Butler County REC



Agriculture Under Secretary for Rural Development Thomas Dorr announced in June that funding is available to individuals and organizations hit by natural disasters in several Midwest states. The funds will go to areas that have been designated as Presidentially-declared disaster areas due to the impact of floods and tornadoes.

“USDA is encouraging residents and business owners to immediately apply for funding to help them to begin their recovery from these devastating storms,” Dorr said on June 16. “Rural Development has a number of programs that citizens can use to help them get back on their feet. These programs can literally assist in building a community from the ground up and we stand ready to help our fellow citizens in the affected states rebuild their communities and their lives.”

USDA Rural Development has grant and loan funds available to rural communities to provide housing, public safety, health care and community facilities and business recovery assistance. Communities that have been declared by President Bush as federal disaster areas will receive priority consideration during the application process. Under Secretary Dorr has directed USDA Rural Development staff in the affected states to work with citizens and state, local and other federal officials to explain the type of Rural Development aid that is available.

- **Housing Assistance** — For the Rural Single Family Housing (SFH) Guaranteed Loan program, Rural Development will expedite lender approval in the disaster areas and also expedite approval for access to the Guaranteed Underwriting Services, or GUS program. For the

Direct Housing Loan program, USDA Rural Development will offer streamlined loan processing to ensure timely loan decisions for families hit by the disasters. Existing Direct SFH program borrowers can contact the Centralized Servicing Center (CSC) at 1-800-414-1226 to discuss their loans. Agency real estate-owned properties that are vacant and habitable can be made available for lease through FEMA or directly to disaster victims.

- **Business Assistance** — Under the Rural Business Enterprise Grant (RBEG) program, grants are available for rural projects that finance and facilitate development of small and emerging rural businesses, and help fund distance learning networks and adult education and employment programs. Rural public entities (towns, communities, state agencies



Send items to: dan.campbell@wdc.USDA.gov



East Central Iowa Cooperative's (ECIC) facility near Cedar Falls was swamped by flood waters. In mid-July, grain was again being received, but the need for long-term repairs was still being assessed. Photo courtesy ECIC. Left: The United Cooperative convenience store in Rock Springs, Wis., struggles to keep its head above water. The co-op's agronomy facility in Reedsburg, Wis., was also hit by flooding. Photo by Pete Clothier, courtesy United Co-op

Co-ops form new grain venture

Co-Mark Inc., in Cheney, Kans., has announced the formation of a new grain-marketing venture: Co-Mark Grain Marketing LLC (CGM). The new business was initiated by a group of farmer-owned cooperatives to strengthen the value of Kansas- and northern Oklahoma-grown grain through innovative marketing efforts.

CGM now serves as the grain division for 10 local cooperatives, handling all grain merchandising, logistics and accounting under one federal license. CGM anticipates that nearly 40 million bushels of grain will be marketed each year through the alliance.

Key staff members include: David Smith, president/general manager; Delinda Warner, chief financial officer/controller; and Mark Lyman and Ryan McCoy, grain merchandisers. The office is in Cheney, Kan.

The member co-ops are: Anthony Farmers Cooperative Assoc., Anthony, Kan.; Cairo Cooperative Equity Exchange, Cairo, Kan.; CCGP Inc., Wichita, Kan.; Danville Cooperative Assoc., Danville, Kan.; Farmers Cooperative Grain Assoc., Caldwell, Kan.; Farmers Cooperative Grain Assoc., Conway Springs, Kan.; Farmers Cooperative Elevator Assoc., Garden Plain, Kan.; O.K. Cooperative Assoc. and Mercantile, Kiowa, Kan.; Two Rivers Consumer Cooperative Assoc., Arkansas City, Kan.; Valley Co-op Inc., Winfield, Kan.

CWT program to be renewed for 2009

Members of Cooperatives Working Together (CWT) voted in June to continue the dairy farmer self-help

program through 2009. In a unanimous vote, the committee overseeing the management of CWT endorsed a continuation of the program at the present membership-assessment level of 10 cents per hundredweight.

"In this season of important votes, CWT has won reelection in a landslide, as its members have decided that our industry is better off with this program," said Jerry Kozak, president and CEO of the National Milk Producers Federation, which manages CWT.

Created five years ago, at a time when farm-level prices were at 20-year lows, Kozak says CWT used a variety of programs to strengthen and stabilize milk supplies, and improve the economic health of the U.S. dairy producer community. In June — with many dairy farmers struggling with dramatically higher production costs — CWT conducted its latest herd retirement to adjust the size of the U.S. dairy cattle herd.

CWT has produced a strong return on investment for its members, generating 75 cents per hundredweight just in 2007, according to an independent economic analysis by Dr. Scott Brown of the University of Missouri. Brown's study also showed that the cumulative impact of the CWT herd-retirement and export-assistance programs has helped create an enduring positive effect on milk prices paid to farmers.

Denim mill creates Internet store for sustainable, American-made fabric

Purchasing environmentally friendly denim is just a mouse click away, according to American Cotton Growers

and authorities), Indian tribes and rural private non-profit corporations are eligible to apply for funding.

- Community Facilities and Infrastructure — Funds are also available for community facilities, such as rural schools, libraries, daycare centers, hospitals, fire and rescue and emergency centers, fire and police stations, public buildings, and medical and assisted living centers. Assistance is also available for community infrastructure, such as water and wastewater systems.

All applications will be processed expeditiously as they are received in USDA Rural Development state offices.

Further information on USDA's Rural Development programs, visit: www.rurdev.usda.gov. ■

(ACG) in Littlefield, Texas. A new Internet store has been created for manufacturers of apparel, home furnishings, crafts and fabric retailers that need small volumes of fabrics. Known as SAFEDenim (Sustainable, American and Friendly to the Environment), the fabrics are manufactured by ACG, the world's only farmer-owned denim mill, and can be purchased online, the company announced.

"The denim mill and its farmer-owners are focused on producing high-quality denim fabrics with minimal

requirements," Darneille adds. "Today, our fabrics featuring the same quality and reliability are available via the Internet with virtually no minimum requirements."

Established in 1975, ACG is focused on the development and production of value-added fashion-denim fabrics for its customers. ACG also meets or exceeds all regulations administered by the Environmental Protection Agency.

New potato co-op formed

The Red River Valley Fresh Potato Growers Cooperative, based in Grand

Shultz & Sons, Crystal, N.D., is chairman of the new cooperative.

Pacific Northwest Farmers Co-op formed

The Genesee Union and Whitman County Growers in Idaho have merged to form the Pacific Northwest Farmers' Cooperative. The merger is expected to increase revenue for both co-ops, in addition to giving the newly formed company increased storage capacity and more selling power, according to a report in the *Moscow-Pullman* (Idaho) *Daily News*.

Manager Bob Holmes told the *Daily News* the merger was more about creating extra income than slashing costs and lowering overhead. The new co-op's added size will increase its selling leverage with exporters, he added. PNFC headquarters will be in Genesee, with a branch office in Colfax.

PNFC assistant manager Sam White said both co-ops had been working closely with each other the six months prior to the merger "to hit the ground running."

USDA staff lead co-op seminar for United Nations' panel

James Baarda and John Wells of USDA Rural Development led a seminar about cooperatives for the United Nations' Commission on Sustainable Development in May in New York City. The session, titled "Business Models for Farmer Marketing, Supply and Credit Cooperatives," covered a wide range of topics, including cooperative principles and benefits, how co-ops are formed and governed and legal and taxation issues. How co-ops are financed, the Farm Credit System and international efforts to promote cooperatives were also discussed.

Baarda emphasized that a cooperative's main purpose is to provide and distribute benefits to members. For a cooperative to be effective, he said, decisions — including investment decisions — need to be made collectively in a participatory manner. Besides purely economic benefits of



American Cotton Growers is using the Internet to market its American-grown, American-made denim. It will accept smaller volume orders via the Web. Photo by Lynette Cockerell, courtesy Plains Cotton Cooperative Association

impact on the environment," says Plains Cotton Cooperative Association (PCCA) President and CEO Wallace L. Darneille. PCCA is the parent company of ACG.

"We can produce an average of 37 million yards of denim annually, every yard of which is spun, dyed and woven from the cotton our farmer-owners produce," Darneille says. "It is American-made denim literally created from field to fabric."

"Until now, ACG denim was available only to manufacturers who could meet our minimum volume

Forks, N.D., has been formed by 27 growers representing 10,000 acres. It is estimated that the co-op represents about 50 percent of the fresh potato acreage in the valley, the nation's largest red potato growing region.

The co-op is affiliated United Potato Growers of America, a relatively new national marketing co-op that has grown rapidly in recent years as growers have attempted to bring better balance to the market and avoid the gluts that forced many growers nationally to the edge of bankruptcy.

Dave Moquist, co-owner of O.C.

cooperatives, Baarda said they can create significant social and environmental benefits.

He also focused on the role of facilitators and government assistance at different stages of cooperative development. Such assistance can include not only financial, but also technical assistance, education and research support.

A detailed PowerPoint presentation used for the session has been posted on the United Nations' Website at: <http://www.un.org/esa/sustdev/csd/csd16/LC/presentations/baarda.pdf>.

Baarda also recently conducted an introduction to cooperatives for the University of Arkansas Law School. A two-hour video of the lecture has been posted on the university's Website: <http://www.uacted.uark.edu/legalesource>.

Southeast Milk to buy Winn-Dixie dairies

Winn-Dixie Stores Inc. has announced plans to sell the two dairies it operates — in Plant City, Fla. and Hammond, La. — to Southeast Milk Inc. (SMI). Both facilities will remain in full production with current employees.

Southeast Milk is a Florida-based cooperative of more than 300 family-owned dairy farms, mainly in Florida, but also in Georgia, South Carolina, Tennessee and Alabama. As the largest operating co-op of dairy farmers in Florida, Southeast Milk supplies milk to most of the southeastern United States.

"Our purchase of these dairies from Winn-Dixie provides a wonderful opportunity for our family-owned dairy farms to better serve consumers throughout the southeastern United States," said Calvin Covington, CEO of SMI. "Southeast Milk remains committed to providing fresh, locally produced milk to consumers."

"We have concluded that the sale of our dairies is in the company's best interest as we continue to sharpen our focus on the retail operation of our business," said Winn-Dixie President, CEO and Chairman Peter Lynch. Winn-Dixie operates 521 retail locations.

NCBA: Cooperatives get a boost in Farm Bill

Provisions in the new Farm Bill will benefit cooperatives nationwide and help stimulate job creation in rural America through the formation and expansion of cooperative businesses, according to a statement issued by the National Cooperative Business Association (NCBA). The legislation also directs USDA to continue groundbreaking research on cooperatives, and makes it easier to invest in cooperatives, while keeping them member-owned.

"This action has the potential to reinvigorate cooperative enterprise and rural areas desperate for economic opportunities," says NCBA President and CEO Paul Hazen, stressing that co-ops help keep the profits they generate close to home.

One challenge cooperatives face is gaining access to new sources of capital. Most of the capital available for co-ops comes from their members or from lenders. There is no widely available mechanism for the more than 150 million co-op members and others to invest in the co-ops in their communities.

The provisions adopted by Congress allow loan guarantees for purchases of equity shares in cooperatives and in equity funds that invest in co-ops. These loan guarantees are part of the Business and Industry (B&I) Loan Guarantee program, a USDA Rural Development program. This opens the way for more capital investment in cooperatives while maintaining member control, Hazen says.

The Rural Cooperative Development Grant (RCDG) program provides funding for cooperative development centers that provide technical assistance to start or expand cooperative businesses. According to CooperationWorks!, a network of development centers, the centers have helped start or expand more than 400 co-ops, creating more than 5,800 jobs in more than 40 states. NCBA, which represents cooperatives of all types, led the effort to create the small, but

effective, RCDG program in the 1980s and works annually to increase its funding.

The Farm Bill includes these changes to the program:

- Directs USDA to award multi-year RCDGs to centers that have proven track records in cooperative development;
- Sets aside 20 percent of all RCDG money for centers that serve minority communities if total funding exceeds \$7.5 million annually;
- Allows USDA to extend grants for a year if all the money has not been spent.

The research language included in the RCDG provisions will help fill a substantial gap in government data on cooperative business. It orders USDA to direct research gauging the size of the cooperative business community and its impact on the national economy.

Congress voted \$1.5 million for this purpose over the last three years and research under those appropriations is underway at the University of Wisconsin at Madison. The language directs USDA to continue this type of research on a more permanent basis.

"Lack of data on cooperative business has been a major problem in recent years," says Mary Griffin, senior policy advisor for NCBA. "It makes co-ops vulnerable to attack by competitors and makes it difficult to get more government support." The research will also help policymakers determine how co-ops can best tackle national problems like health care and senior housing.

Masterfeeds to purchase Land O'Lakes Canada's Ontario feed business

Masterfeeds Inc., Land O'Lakes Canada Ltd. (LOLC), and GROWMARK Inc. announced an agreement in May under which Masterfeeds will purchase LOLC's Ontario feed business. Masterfeeds Inc. is wholly owned by Ag Processing Inc.; LOLC is owned by Land O'Lakes Inc.; Agronomy Co. of Canada Ltd. is a Land O'Lakes/CHS Inc. joint venture.

Agronomy Co. of Canada Ltd. is a Land O'Lakes/CHS Inc. joint venture.

As part of the transaction, Masterfeeds also will acquire two feed mills in Wingham and Peterborough, Ontario, which are currently leased by LOLC from GROWMARK Inc. Licensing agreements that will provide Masterfeeds continued use of certain Land O'Lakes feed brands, as well as access to certain future brands and animal nutrition technologies developed by Land O'Lakes Purina Feeds LLC (a wholly owned subsidiary of Land O'Lakes Inc.).

Masterfeeds President & CEO Rob Flack said the acquisition is "a positive strategic move that enhances our ability to support livestock and poultry producers in the markets we serve. Masterfeeds is committed to strengthening our Canadian feed business through solid acquisitions like Land O'Lakes Canada Ltd. We are very excited about our alliance with Land O'Lakes' renowned animal nutrition research and development capabilities that will support our operations throughout Canada."



Joel Groskreutz started his career at Accelerated Genetics and has now returned as its president and CEO.

worked at Accelerated Genetics early in his career, serving the co-op first as a field representative, then district sales manager, regional sales manager and domestic marketing specialist.

USDA loans \$266 million to nine rural electric co-ops

Agriculture Under Secretary for Rural Development Thomas Dorr in May announced that nine rural electric utilities were selected to receive \$266.6 million in loans to help them make system improvements. The funding is being provided through USDA Rural Development's Utilities Program to finance the construction and/or repair of nearly 3,700 miles of transmission and distribution lines. The work will benefit more than 46,000 consumers in nine states.

"The funds provided through these loans will enable cooperatives to upgrade and modernize their distribution systems, guaranteeing dependable service for years to come," Dorr said. Since 2001, USDA Rural Development has awarded about \$28 billion in electric loans to utilities across the nation.

The funds will be used for a variety of upgrades, including:

- Lumbee River Electric Membership Corp. in Red Springs, N.C., will receive \$35 million to build more

New CEO at Accelerated Genetics

Joel Groskreutz is the new president and CEO of Accelerated Genetics in Baraboo, Wis. He has been working closely with Roger Ripley, the current president and CEO, to ensure a seamless transition prior to Ripley's scheduled retirement Aug. 1, 2008. Groskreutz will continue to drive the co-op's genetic-improvement programs for the benefit of cooperative members and all producers around the world. He comes to Accelerated Genetics with a vast amount of experience within the agricultural industry, particularly in sales, marketing, product development, budget administration and personnel management.

For the past 14 years, Groskreutz has been employed at Ecolab Inc., a Fortune 500 company based in St. Paul, Minn., where he served as vice president of Midwest and Western U.S. agriculture sales. Groskreutz also



Night call: a Jackson Electric Membership Corp. crew makes a nighttime repair to keep the lights on for some of its members. The co-op recently received a \$166-million loan from USDA Rural Development to provide 2,100 miles of new lines and make system improvements. Photo courtesy Jackson Electric



Washington organic farmer wins AFT top award

Nash Huber, of Nash's Organic Produce in Sequim, Wash., has been selected by the American Farmland Trust (AFT) for its annual Steward of the Land Award. Nash and his team grow more than 100 types of produce, pasture-raised pork and seed crops on 400 sustainably managed acres in the Dungeness River Valley. Farm products are sold directly to the public through Nash's Farm Store, a community-supported agriculture program, local restaurants and five area farmers' markets.

He will receive the \$10,000 AFT prize for his environmental stewardship and farmland protection efforts. Nash and his wife, Patty McManus, have helped save hundreds of acres of local farmland and important wildlife habitat. Nash is a founding member of the PCC Farmland Trust and Friends of the Fields.

than 560 miles of new distribution lines and improve 70 miles of existing lines serving approximately 7,400 consumers in a four-county area.

- The Jackson Electric Membership Corp. in Jefferson, Ga., will receive \$166 million to provide 2,100 miles of new distribution lines and make improvements to existing lines in 10 counties, providing upgraded service to more than 30,000 consumers throughout the northeast part of the state.
- In New Mexico, the Otero County Electric Cooperative has been selected to receive almost \$23 million to build more than 280 miles of distribution lines and make other system improvements benefiting more than 2,100 consumers in four counties.

Other co-ops receiving the loans include: Chariton Valley Electric Cooperative, Iowa, \$4 million; Cumberland Valley Electric, Kentucky/Indiana, \$15.84 million; Federated Rural Electric Assoc., Minn./Iowa, \$3.95 million; Springer Electric Cooperative, N.M., \$6.71 million; Adams Rural Electric Cooperative, Ohio, \$5.64 million; Prince George Electric Cooperative, Va., \$6.38 million.

For more information about USDA Rural Development, visit: www.rurdev.usda.gov.

Capacity boosted at CHS refinery

CHS Inc. in May marked the completion of a two-year, \$400-million project that will increase fuel production at its Laurel, Mont., refinery by more than 20 percent. "At this time of concern over energy supply, we are proud of this investment — the biggest in CHS history — which means more gasoline and diesel fuel to the agricultural producers and consumers who count on us," Leon Westbrook, CHS executive vice president and chief operating officer for energy, said at an event making the completion of the effort.

The "Bottoms Upgrade Project"

made throughout the refinery to incorporate new production units into the existing refinery. While the refinery's overall throughput remains rated at 60,000 barrels-per-day, the addition of the coker will increase the volume of gasoline and diesel it produces by more than 400,000 gallons per day. In addition, the refinery will produce about 300,000 tons of coke annually.

The refinery project also creates 35 new jobs, bringing the facility's total workforce to more than 300.

Growers sue Diamond in pay dispute

Dozens of walnut growers, organized as The Walnut Growers of California, have filed a class-action lawsuit against Stockton-based nut processor Diamond. They claim that they and others were severely underpaid by Diamond Foods Inc. — perhaps by as much as \$52 million — for their 2005 and 2006 crops. According to a report in the *Stockton Record*, the lawsuit, filed in March in San Joaquin County Superior Court, claims “Diamond grossly underpaid its 1,600 growers” under long-term contracts issued shortly after the former Diamond of California growers cooperative converted to a public company in July 2005.

Falcone to lead National Grape Co-op, Welch's

Joseph Falcone has been named to replace Randy Graham as president of National Grape Co-op and will also act as chairman of the board of Welch Foods Inc., the world's leading marketer of Concord and Niagara grape-based products. He is one of five new board members.

“In the next three to five years, Welch's is going to move from being a good company to a great company. That means we'll be growing in terms of global reach, sales volume, profit and in value of the enterprise,” says David Lukiewski, president and CEO of Welch's. “With the experience these new members bring to the board, we're confident they can help guide us in

achieving our goals.”

Falcone, of Silver Creek, N.Y., has held a family membership in National Grape for 54 years. He operates a farm that includes both Concord and Niagara grapes and 1,800 acres of processing vegetables. He is the president of Falcone Farms Inc. and is a standing member of Pro-Fac Cooperative Commodity Committee and the Cornell Cooperative Extension, among many other memberships in ag and food industry organizations.

FFA essay contest winners focus on co-ops

For essays on the theme of “Understanding Cooperatives,” Sadie Geiger of Alhambra, Ill., Ashley Julka, of Rosendale, Wis., and Clint Hansen of Prairie City, Iowa, have been named winners of a 2008 essay contest for FFA members, sponsored by GROWMARK Inc.

In his contest entry, Hansen said: “Characteristics of the modern co-op are very similar to those of the original Rochdale co-op. They are member-owned and controlled; they are nonprofit; they offer reduced risk; the members receive patronage dividends; and the board is elected by the members.” Hansen is a student at Prairie City-Monroe High School and a member of the Diamond Trail FFA Chapter.

Julka, a student at Laconia High School and a member of the Laconia FFA Chapter, wrote: “Cooperatives have been, and will continue to be, huge role-players in America's economy. These businesses give farmers the strength to influence others, therefore promoting local products. Cooperatives help farmers become more productive, thus increasing efficiency and boosting the prices they receive for their products.”

In her entry, Geiger wrote: “The combined efforts of committed employees and loyal farmer-owners, coupled with the leadership of an elected board of directors, leads to a financially viable cooperative that will be able to meet new challenges and

opportunities held by the future.”

Geiger is a student at Highland High School and a member of the Highland FFA Chapter.

The winners each received a \$500 scholarship from GROWMARK and their FFA chapters will also receive \$300 awards to help future students. Four runners-up in each received \$125 scholarships.

This is the 15th year for the program, sponsored by the GROWMARK System and FS member cooperatives, in conjunction with state FFA leaders.

DFA uncovers 'improper' payment to former chairman

Dairy Farmers of America (DFA) reported to its members in May that an audit had uncovered “an improper” payment of \$1 million made to former board Chairman Herman Brubaker, who retired from the board five years ago. The payment was authorized by former CEO Gary Hanman. The payment was not authorized by the board, President & CEO Richard Smith stressed. Smith succeeded Hanman in 2006.

Once discovered, Smith said the co-op moved quickly to secure repayment of the money, plus interest. “However, the return of the funds is not an end to the matter,” Smith wrote in a letter to members, in which he said the co-op was “saddened and disappointed about an improper transaction involving two former senior representatives” of DFA, the nation's largest dairy farmer-owned cooperative.

“DFA's past and present boards of directors were not involved in this wrongdoing, and the current board and management only recently became aware of it,” Smith said. A special committee of the board was formed and is looking into the co-op's financial records to ensure that no similar transactions have taken place. This committee will determine whether any additional standards should be put into place to enhance internal controls. ■

Consumer cooperator achievements recognized

The 2008 Howard Bowers Awards, recognizing excellence in the consumer co-op sector, were presented June 13 during the Consumer Cooperative Management Association conference in Portland, Ore. Honorees included:

- The Cooperative Service Award went to Margaret Lund, former executive director of the Northcountry Cooperative Development Fund (NCDF) in Minneapolis, Minn. Lund was recognized for being the driving force behind the NCDF, creating access to capital for cooperatives that otherwise might not have secured capital, and for building NCDF into a premier cooperative development loan fund, with assets of more than \$11 million.
- The Cooperative Board Service Award was presented to Martha Whitman, board president at La Montanita Co-op in Albuquerque, N.M. Whitman was honored for using her extensive board and management experience to oversee the expansion of a local co-op into a regional business, with underlying infrastructure improvements to assist local suppliers to the co-op.
- The Cooperative Innovation and Achievement Award was presented to Sacramento Natural Foods Co-op



(SNFC) in Sacramento, Calif. The ninth largest cooperative grocer in the country, SNFC survived an ambitious expansion that

did not work out as expected. The co-op was honored because of the way the management, board and community pulled together to save the co-op with increased efficiency at its core store location, by growing sales 10 percent and by retiring debt while maintaining a positive cash flow.

- The Cooperative Excellence Award was presented to Onion River Co-op/City Market, in Burlington, Vt., for its innovative agreements with the city of Burlington, as well as for being a pioneer in community involvement and social responsibility,



Employees of Onion River Co-op/City Market in Burlington, Vt., show off the Cooperative Excellence Award the co-op won. Below (left): The Sacramento Natural Foods Co-op won the Innovation and Achievement Award.

making it a model for community involvement and service.

“Consumer cooperatives across the country are dynamic and thriving businesses, and much of the credit goes to individuals, like these award winners, who provide daily leadership and make extraordinary commitments to the consumer cooperative community,” said Dr. Ann Hoyt of the University of Wisconsin, the coordinator of the CCMA conference.



Community service efforts, such as the seniors' lunch program it sponsors, helped Burlington's City Market win the Co-op Excellence Award.

Co-op Link to Sustainability

continued from page 7

people see that our business practices are verifiable, measurable and authentic. Sustainability is not about putting a mark on a label, but rather about being transparent in our operations and ensuring that our practices are real.”

Next steps

There is plenty of work ahead, according to Peltier.

“Consumers are looking right now for ways to connect with farmers,” she says. “They are looking for assurances that farmers are working with their cooperatives in a process of continuous improvement. That’s really what we are trying to foster.”

The first step for co-ops is to embrace the definition of sustainability as laid out by NCFC’s work: stewardship of natural resources, economic viability of farmers and their

cooperatives, and commitment to rural communities.

The second step is to use the research to better connect consumers to farmers through cooperatives in a real and authentic way and, in the process, improve cooperative returns.

“Ultimately, we are doing this because we are committed to farmer-ownership, rural community, stewardship and to the farmers’ profitability,” says Peltier.

“Can we add to the bottom line because of an ability to connect farmers to consumers?” she continues. “Will it result in a better way to document stewardship practices that allow cooperatives access to federal government dollars? Can we help farmers ring excess costs from their operations through energy savings, identify inefficiencies — benchmark against each other — or operate in a more sustainable manner? Can we build more value through the marketplace or government programs? Those are the challenges.” ■

Lassoing Wyoming’s Wind

continued from page 9

technicalities and who told them what to watch out for.

Lease terms can be very detailed. Some issues which are covered in typical leases include the type of payment the landowner will receive, so it’s very important to get this right.

What lies ahead

What happens in the future will ultimately depend on transmission. In wind energy and other electricity-generating projects, transmission is an essential component for the projects to be implemented.

This is because electricity is cheap and plentiful in Wyoming, so electricity from wind-energy projects will need to be exported. Transmission projects such as the Wyoming-Colorado Intertie are in the works. The eight wind-energy bargaining associations will be positioned to benefit from their completion. ■

Whatever It Takes

continued from page 17

that financial performance was mixed and that they were unable to adequately invest in existing businesses.

That finding led to four very specific strategic imperatives that focused Land O’Lakes on: “Best Cost, Best People, Superior Insight and Superior Portfolio.”

In pursuing those imperatives, the company repositioned several of its assets. For example, in 2006, the MoArk subsidiary sold its liquid egg business to Golden Oval Eggs of Renville, Minn. In 2005, Land O’Lakes joined the other eight cooperative owners in accepting a buy-back plan from CF Industries, a nitrogen and phosphate fertilizer manufacturer and distributor. In 2007 Agriliance was repositioned so that its crop nutrient (CN) assets and people were aligned with CHS Inc., and that company’s commodity handling assets and expertise. Agriliance CPP was brought to Land O’Lakes and became part of WinField Solutions™ LLC, where products and expertise complement seed and traits sold by CROPLAN GENETICS®.

We’re No. 1 (2 and 4)

The result says Fife, is a Land O’Lakes that holds No. 1 market positions in butter, deli cheese, branded dairy-based foodservice, livestock and lifestyle feed and wholesale crop

protection products. The company also holds a strong No. 2 position in shell eggs nationally and has built the Land O’Lakes Seed Division into the fourth-largest farm seed company in the country.

As it has grown into the leader in forage genetics and seed traits, CROPLAN GENETICS, the Land O’Lakes seed brand, has established a value-added reputation for its expert sellers and its more than 100 Answer Plots, where customers and cooperative employees can come and see first-hand the importance and performance of genetic families and various CN and CPP products.

Land O’Lakes Purina Feed provides cutting-edge research and products that continue a tradition that began with the industry’s first calf milk replacer in 1951. Fife says today’s products, such as Cow’s Match® Calf Growth Formula and Synchronized® Nutrition, are improving milk production and milk checks for dairy farmers across Land O’Lakes trade territory.

“Land O’Lakes was chartered as a member-owned organization focused on improving productivity and profitability for the cooperative system and farmers,” says Fife. “That hasn’t changed. Our commitment to the cooperative system is unwavering. We’ll remain member focused and member friendly and fully engaged in system success, and we will earn our position as the preferred supplier for the system.” ■

We support a healthier future for our rural neighbors.



St. James Health Systems in St. James, Minnesota, will provide the vital healthcare this community needs. Faced with an uncertain future due to lack of funds for a state-of-the-art facility, Mike Kircher, St. James Hospital board chairman, contacted his local USDA Rural Development office. Bill Slininger, Community Programs Director, and Shane Hastings, Community Programs Specialist in southwestern Minnesota, stepped in with innovative solutions finding a guaranteed USDA Rural Development loan through the brand-new Community Investment Bonding program. This out-of-the-box, pioneering spirit is what safeguards the future of St. James.

Learn more about how USDA Rural Development can make a big difference in your community. Contact your local office or visit www.rurdev.usda.gov.



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No Co-op is an Island



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