

Rural COOPERATIVES

USDA / Rural Development

May/June 2004

Defending Your Turf

Why co-op legislative efforts are so essential

SPECIAL SECTION

*Organizations
serving co-ops*

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The extended family

No man is an island, nor is any cooperative.

Regardless of what purposes cooperatives serve, they are all strengthened — and the scope and impact of their operations amplified — through a supporting network of private sector and governmental organizations dedicated to the belief that, through cooperative businesses, there is nothing Americans cannot achieve for themselves.

More than 120 million people are members of 48,000 cooperatives in the United States alone. Worldwide, cooperatives serve some 730 million members. Those are numbers often trumpeted each October during Cooperative Month. But they should be cited in speeches and articles throughout the year to help communicate just how far-reaching the co-op system of business has become.

Whether it is to process and market their crops, to gain access to dependable and affordable energy and telecommunications services, to secure credit or housing, or for nearly any other service or product under the sun, cooperatives are delivering every minute of every day for their members. This wouldn't be possible without an infrastructure of supporting organizations that do everything from giving their member cooperatives legislative clout to providing director training programs and educational materials needed to attract and inspire the next generation of co-op leaders and members.

A special section of this issue, which begins on page 18, provides an overview of some of the major organizations supporting cooperatives and highlights some of their recent accomplishments. To provide an idea of the

scope of these efforts, here are just a few highlights from the special section:

- National Milk Producers Federation is strengthening the dairy industry through the Cooperatives Working Together (CWT) program, a self-help effort to balance milk supply and demand, and by proposing changes to the dairy price support program that will prevent farm-level prices from dropping below \$9.90 per hundredweight.
- National Council of Farmer Cooperatives is striving to improve co-ops' access to capital and is supporting legislation that would eliminate the third layer of taxes imposed on farmer cooperative dividends.
- National Cooperative Business Association has organized opposition to a ruling that threatens to throw the balance sheets of thousands of co-ops into chaos by reclassifying member equity as debt, and has launched an initiative to expand the role of co-ops in creating economic opportunity in inner cities.
- National Rural Electric Cooperative Association's legislative and regulatory efforts are focusing on controlling costs for consumers, protecting them against market power abuse and anti-competitive behavior, and on preserving the co-op governance structure of its members.

We've also provided an overview of how USDA Rural Development is helping to improve the quality of life and create jobs in rural America, and — in particular — the many ways its Cooperatives and Rural Utilities Programs help the nation's farm and utility co-op sectors. Also check out

the Newsline section of this issue for several news items that describe more than \$500 million in USDA loans and grants recently awarded (or soon to be awarded) for rural electric, broadband and renewable energy projects.

Space didn't permit us to list every organization that has played a major role in helping cooperatives. On the agricultural front alone, the American Farm Bureau Federation, National Farmers Union and National Grange have played key roles in helping establish and promote cooperatives. So do numerous other ag commodity boards and associations.

Likewise, virtually every arm of USDA — the Farm Service Agency, Natural Resources Conservation Service's RC&D committees and Cooperative State Research, Education and Extension Service, to name just a few — in one way or another impact farmer cooperatives. You can find out more about these and any other USDA agency or program through the www.usda.gov website. We've also included websites and other contact information for every organization included in the special section, and we urge you to find out more about them.

So, while "user owned, user controlled and user benefited" remains the mantra of the nation's family of cooperatives, let's never forget that we'd be a pretty dysfunctional family, providing fewer benefits to fewer people, without a solid infrastructure of supporting organizations.

Dan Campbell

Editor

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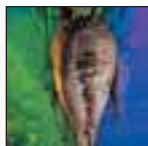
Dan Campbell, Editor

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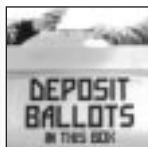
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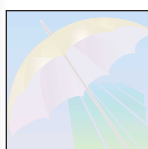
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On the Cover:

A field of Red River Valley sugarbeets greet the new morning. American Crystal Sugar Co. members increasingly look to the co-op's legislative office to help "defend their turf" in trade talks. Likewise, many of the co-op organizations featured in the special section of this magazine also tackle critical legislative issues for their member co-ops. Photo courtesy American Crystal Sugar Co.



Defending their turf

Growers see co-op's legislative action as essential to future of nation's sugar industry

By Dan Campbell, editor
e-mail: dan.campbell@usda.gov

If American farmers weren't supposed to grow sugarbeets, surely there would be no Red River Valley — quite possibly the world's most perfect garden for cultivating the crop. Not only do sugarbeets love the black-clay soil of this river valley that both divides and unites Minnesota and North Dakota, but the rainfall is more than adequate in most years to raise the crop without irrigation. And the cold winters allow the crop to be piled outdoors and stored for up to 200 days or more, creating a longer processing season that helps maximize factory utilization.

But the world is a fiercely competitive place when it comes to production of sugar and other sweeteners. Indeed, some 110 nations grow sugarbeets or sugarcane, and many of them seek to export their surplus, even if it means dumping sugar at prices below the cost of production in order to “buy” market share. About 25 percent of the world's sugar goes into foreign trade, and virtually every producing nation uses some kind of trade-distorting sugar subsidies to support their producers.

High fructose corn sweeteners also are taking an increasingly large slice of the nation's sweetener pie (55 percent in 2000, up from 16 percent in 1970, according to USDA). And artificial sweeteners also jockey for their place in the food ingredient trade.

So despite all of the Valley's natural advantages, growers here have their work cut out for them if they want to maintain their market share. About 55 to 60 percent of all sugar produced in the United States, and 90 percent of all of

America's beet sugar, is processed and marketed through producer-owned cooperatives. In the Red River Valley, the nation's largest sugar co-op, American Crystal Sugar Co., just celebrated its 30th anniversary.

The roots of the co-op go back to 1935, when area growers began organizing the Red River Valley Sugarbeet Growers Association, which ultimately purchased the privately owned American Crystal in 1973. Today, the company markets about 18 percent of the nation's sugar. It is often looked to as a role model for new-generation co-ops and as a blueprint for how farmers can buy a major processor (see sidebar).

Other U.S. producer-owned sugarbeet processing co-ops include: Minn-Dak Farmers Cooperative, Southern Minnesota Beet Sugar Cooperative, Amalgamated Sugar, Michigan Sugar and Western Sugar Cooperative, the latter two having been formed in 2002 when growers acquired plants that were formerly investor-owned.

Legislative actions seen as crucial to industry's future

Sugar producer Mark Nyquist spent much of the past winter in his farm shop repairing and overhauling cultivation and harvesting equipment in preparation

for the 2004 growing season. Nyquist — whose father served as American Crystal's board chairman and grandfather was a founding member of the board — has spent many another long night in the farm office, preparing for this season by pouring over the farm's financial books, doing cost analysis and budget projections, filing tax reports and doing all the other paperwork which is now just as necessary as seed and fertilizer to produce a crop.

During the course of this season, Nyquist will consult closely with an agronomist from the co-op to produce the



"The world market and related political issues increasingly control our destiny," says Mark Nyquist (center), seen here doing maintenance on a beet harvester. USDA photo by Dan Campbell

best crop he can — both in terms of tonnage and sugar content. When harvest season rolls around in mid-October, he'll also coordinate closely with the co-op regarding harvest timing and delivery. Nyquist says he takes pride in knowing the co-op operates five efficient sugar processing plants up and down the Valley, and that its joint marketing venture — United Sugars — has an expert team of agents selling the co-op's sugar worldwide.

Just as important as all those co-op functions, Nyquist says, is American Crystal's legislative effort. The United States has been under intense pressure in trade negotiations to open up the domestic market to more imported sugar. American Crystal and other co-ops and industry trade organizations have had to go to a full-court press to make certain that their industry's position is represented in these talks. The North American, Central American and Australian free trade agreements have all been tracked closely in America's sugar-producing states.

Although more imported sugar is gradually being allowed into the nation, the industry's legislative efforts have been generally successful in limiting these increases to manageable levels. But Nyquist and his fellow growers say their co-op and the industry must continue to make their voices heard.

"One stroke of the pen in Washington, and it could potentially eliminate the sugar industry in the Valley," Nyquist says while walking through one of his fields. "The world market and related political issues increasingly control

our destiny," adds Nyquist, who spent several years after college as a pit trader in the dog-eat-dog world of the Chicago Mercantile Exchange before returning to take over the family farm in 1996. He still trades part time, mostly in the winter, but sees the farm and sugarbeets as his future.

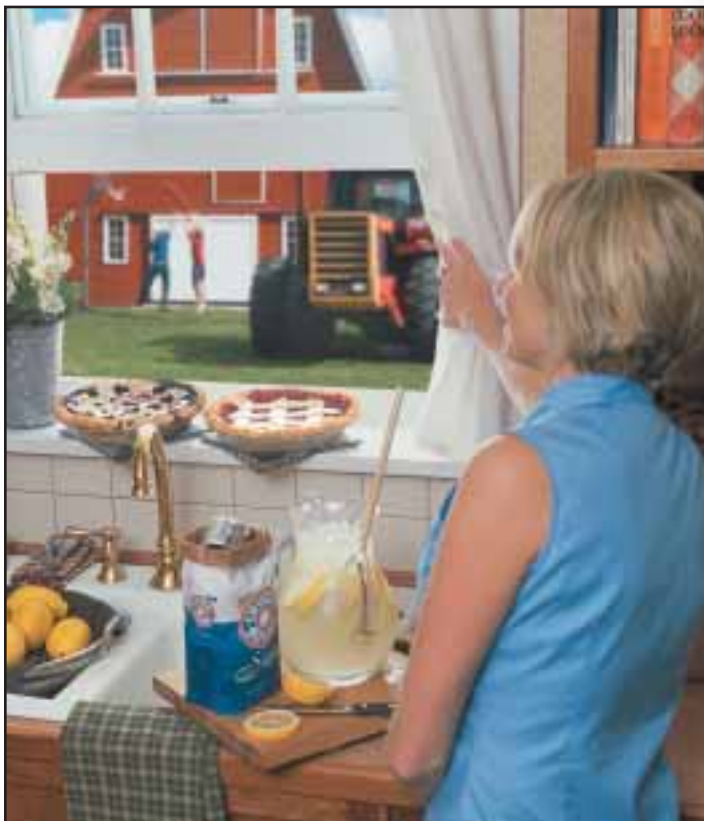
Fast track deals a major concern

David Kragnes, who grows about 1,400 acres of sugarbeets, wheat and barley near Felton, Minn., shares Nyquist's concerns. "We're worried that we could be sacrificed if we aren't active legislatively," says Kragnes, a board member of both American Crystal and United Sugars. Fast-track trade deals are of particular concern, he stresses, because if approved, they can't be amended by Congress.

"In this battle, we want the export subsidies [of foreign nations] reduced before we reduce our border protection," Kragnes says. Unlike grain, sugar has a very finite shelf life. "Sugar has a life-span of one year," says Kragnes, who, like Nyquist, was born and raised on his family farm. "After that, it turns into brick."

Small countries produce sugar under labor and environmental conditions that would never be tolerated in the United States, Kragnes notes.

The domestic industry currently supplies 85 percent of the nation's sugar, with 15 percent imported. "By rationing up and down the level of imports, the government has been able to control the supply and demand and therefore control market conditions,"



A real slice of Americana: fresh-baked pies and a pitcher of lemonade made with American Crystal sugar. The co-op used this photo in a recent annual report to promote the wholesome goodness of real sugar. Photos courtesy American Crystal Sugar Co.



says American Crystal President and CEO James Horvath. “They have done a pretty good job of doing that over the years.”

But in 2000, a glut, brought on by a number of factors, forced the nation to adopt a payment-in-kind (PIK) program — which American Crystal lobbied for — to remove excess supply from the market.

American Crystal employs a full-time lobbyist, Kevin Price, in Washington. Although these days his home is in the corridors of the Capitol and its office buildings, this native of the Red River Valley is equally at home in the beet fields and knows what’s at stake for growers in the trade talks.

“We cannot sit back and wait for things to fall in our lap,” says David Berg, the co-op’s vice president for operations. “You have to find out what the issues will be, propose solutions and then work like heck to get it done.”

The PIK program is a case in point, Berg says. “Within two weeks of the concept being floated, Kevin and I were in the offices at USDA of the people who administer the program.” With them was Earl Pomeroy, North Dakota’s member of Congress, who worked on the legislative authorization. “Our efforts helped make it (the PIK) a reality. When we see opportunity, we are not shy about going out and getting it done. Not just the co-op, but the whole industry benefits from our efforts.”

In the Australian Free Trade talks this past winter, the United States elected to totally exclude sugar, based on a decision that Australia was a developed country and therefore didn’t need any increased access to the U.S. market. “We were obviously very pleased with that outcome and we believe that it should become the template for future trade deals,” says Horvath.

One major concern on the international front is that if Mexico were to switch from using sugar to high fruc-

tose corn sweeteners in its soft drinks (as does the United States), it would result in a sudden surge of sugar imports — perhaps 2 million tons, or 20 percent of total U.S. consumption, which would be allowed under NAFTA, Horvath notes.

“We are working toward a new



How U.S. sugar growers fare in future trade negotiations is a top concern for American Crystal Sugar board member David Kragnes. USDA photo by Dan Campbell

agreement that sets a specific amount of sugar that Mexico can bring into the United States and a specific amount of high fructose corn syrup that can go from the United States to Mexico,” Horvath says. “The industries are relatively close to coming up with that deal, from my perspective. This, of course, will ultimately need to go to each of the governments for negotiation and implementation.”

Sugar factories: use ‘em or lose ‘em

One major reason for so much government involvement in sugar production worldwide, Berg explains, is that once a sugar factory shuts down, it very seldom starts up again. The cost of retrofitting a plant that has been idled for even a few years — and the toll that temperature and humidity can take on a shuttered operation — make it very unlikely it will reopen successfully.

“Therefore, most countries try very hard to keep the revenue stable to

their growers so that they produce enough to keep the plants operating over the long term,” Berg says. To do this, “the 14 largest sugar-producing countries all intervene, in one way or another, through interest rate subsidies, direct payments, tariffs, export enhancements, etc.

“Relying on foreign sugar can work for a time, but when prices spike upwards, your consumers will pay through the nose, if they can buy sugar at all. Most people here don’t know what they pay for sugar because the price is affordable and stable — so it’s not an issue for most Americans. That hasn’t always been the case,” Berg says.

When the United States becomes dependent on foreign suppliers, it can become vulnerable: think oil or coffee. The U.S. imports nearly all of its coffee, and those prices periodically spike and have climbed steadily. “When coffee prices soar, people are outraged; ‘How can they do that to us?’ they ask.” But there’s not a lot Americans can do about it, he notes.

Even though U.S. sugar policy has maintained a stable supply at an affordable price, “the program keeps getting beat up, because you look at the world price for raw sugar and see it at six cents a pound. Domestically, it’s around 21 cents a pound. How can we justify that? Well, the average cost to produce sugar worldwide is 18 cents a pound; the average selling price for the past five years has been 8 cents a pound. You can’t sell a product long-term for less than half the cost of production. At least you can’t do it unless there are subsidies going to the producers.”

U.S. grain industry groups are often proponents for free trade deals. So U.S. trade negotiators have the unenviable position of making someone angry regardless of their stance. Other critics of U.S. sugar policy, including the candy and bakery industries, say American consumers would benefit

from lower food prices if the U.S. market was open to more imported sugar.

“But the only way sugar can sell at such low prices is if you are getting a government subsidy,” Berg maintains. “Once a producing nation meets its domestic sugar needs, they put the surplus on the world market at whatever they can get for it, because whatever they earn is gravy. It’s a dump market that doesn’t reflect the economics of producing it. If people say they want 6-cent sugar, they must realize that were it not for the domestic sugar supply, they would likely be paying 18 cents to 20 cents or possibly a lot more.”

“The domestic price in the United States is, in fact, in the lowest one-third of the world,” Horvath says. “The United States doesn’t export any sugar,” he stresses, and limits domestic producers in order to balance supply and demand. “The result is that every sugar exporting country would like nothing more than to get a bigger chunk of the United States market.”

To put the picture into perspective, Horvath says the U.S. sugar market is about 10 million tons, of which U.S. growers produce 8.5 million tons. More imported sugar, he says, would result in lost sugarbeet acreage in America.

“By taking away [sugarbeet] acreage...there will be more corn planted, more soybeans planted in this particular area, creating an oversupply there as well. It would result in lower prices and in more deficiency payments. It is a serious problem.”

Co-op buys plants to maintain acreage base

As a result of the market glut in 2000 and 2001, the 2002 Farm Bill

reinstated a marketing allotment system to better balance supply and demand. In 2002, USDA set the allotment at 7.7 million tons, raising the bar to 8.5 million tons in 2003.

“The [sugar portion] of the 2002 Farm Bill was designed to fix the oversupply problem,” Horvath says. “Market allocations were established so each of the companies in the United States had the ability to market only a certain amount of sugar.”

For American Crystal, that would have meant cutting back acres by about



CEO James Horvath talks with growers in one of a series of “summer shop meetings” held around the Red River Valley each July.

Photo courtesy American Crystal Sugar Co.

10 percent, which Horvath says would have threatened the co-op’s ‘critical mass.’ “We would have had to cut back from 500,000 acres to 450,000 acres. That would have increased our fixed costs and driven down returns to our grower-owners. So we had to look at that as a serious situation and search for ways to solve that.”

In part to help maintain its acreage allotment, American Crystal in 2002 and in 2003 acquired four plants in other parts of the nation: Moses Lake, Wash., Sidney, Mont., Torrington, Wyo., and Hereford, Texas. The Torrington plant has been leased to the new, Denver-based Western Sugar Cooperative, while the plant in Sidney is being operated under a wholly

owned subsidiary of American Crystal, called Sidney Sugars Inc. The Texas and Washington plants are being left idle, with no plans to put them back into production.

Nyquist says the plant acquisitions represent a solid business strategy. “I support the cooperative’s aggressiveness in purchasing these other plants. We’re not trying to push anyone out of the market — we’re just defending our turf. To do that, we need to acquire these plants just to keep the same share and acreage base.”

When the sugar market took a dive in 2000, some investors quickly fled and a number of plants were put on the block. Some other plants were bought by producers (such as Western Sugar and Michigan Sugar). “There isn’t much else you can do with a sugar factory; so some got sold at fire-sale prices,” Berg says. Since then, the market has been generally stable, with producers earning reasonable returns.

Kragnes says farmers, with their commitment to the long-range

future of their industry, make the ideal party to own the processing and marketing operations. But he says he’s worried that talk regarding possible changes in the co-op model could lessen grower control of the industry.

“The bedrock of American farm cooperatives has always been, and must continue to be, the Capper Volstead Act,” which gives them the power to jointly market their crops and products. “If you start messing with the definition of a co-op, I fear you could jeopardize Capper-Volstead,” Kragnes continues. “I’m not happy with any changes that allow large investors to get their foot in the door and buy a piece of our co-ops. Control follows the money.”

No option but to remain on guard

Giving up on the trade battle is not an option for the U.S. sugar industry. “It takes a lot of lobbying, and this co-op has been — and will continue to be — a strong advocate for its members on the legislative front,” Kragnes says. So has the American Sugarbeet Growers Association, the Red River Valley Sugarbeet Association and a number of other farm industry groups. With sugarbeets grown in 14 states, Kragnes says the industry can muster considerable clout in the halls of Congress.

But much as farmers might like to think otherwise, Nyquist says he does not believe the average American consumer cares if their sugar is U.S. grown or not. “They want good quality cereal, cake mix or whatever at the most affordable price. If those products are made with sugar from Brazil or Cuba, well...I’m not sure there is a

whole lot of loyalty there. I don’t know that locally grown sugar can command a premium.”

Nor do most consumers stop to think what would be lost if the sugar industry stopped providing jobs and economic synergies that boost the standard of living throughout the Upper Midwest and other regions where it is grown, he says.

The impact of losing sugar would ripple far beyond the sugar industry if beet farmers are forced to shift to other crops, such as grains and potatoes. The University of Idaho did a study in 2001 which projected that in just Idaho, if the 200,000-plus acres of sugarbeets were switched to potatoes, growers of the latter crop would lose \$105 million annually.

American Crystal alone has an annual economic impact of over \$1.5 billion in the communities where its members and employees live and work.

The multiplier effect of actual dollars and jobs generated by the nation’s farm economy is often estimated at a factor of seven, and some have estimated that 20 percent of the nation’s workforce is involved in the food and fiber system, ranging from production through processing, distribution and retailing.

Nyquist says his basic outlook remains “cautiously optimistic.” That was not the case in 2000, when sugarbeet payments fell to \$32-\$36 per ton and margins were near breakeven levels for most producers. “I was not very optimistic then at all. There was real cause for concern.

“Despite all of our natural advantages, it is not easy to compete against third world countries with labor costs that are a small fraction of ours and no environmental standards,” he says. “We can’t go down to their standards, and it’s awfully hard to bring them up to ours. So through their co-ops, growers must remain vigilant.” ■



American Crystal pumps \$1.5 billion annually into the economy of the Red River Valley, where it operates five processing plants, including this one in Moorhead, Minn. Photo courtesy American Crystal Sugar Co.

Co-op born of growers' frustration with processor's lack of long-term outlook

Editor's note: The following article is largely excerpted from "A Heritage of Growth," which traces the history of American Crystal Sugar and the Red River Valley Sugarbeet Growers Association.

Nothing frustrates a sugarbeet grower more than not being able to deliver harvested beets to the processing plant on a cool, dry autumn day. But there were a lot of frustrated growers around the Red River Valley on such days in the late 1960s and early 70s. That's because the Valley's dominant processor – American Crystal Sugar, then an investor-owned company – was not investing in piling equipment needed to keep up with farmers, who had made giant leaps in their ability to rapidly dig and deliver sugarbeets. Virtually no maintenance was being done on pilers during the off-season, which led to frequent breakdowns during harvest.

Indeed, it appeared more and more that "the company was being bled to maximize short-term profits, without making the type of critical capital investments needed for the long-term future of the industry," says American Crystal board member Dave Kragnes, who grows beets and grain on his Felton, Minn., farm. "The growers [including his father] could see that there was money to be made if the plants were operated more efficiently; truck drivers needed to be paid to drive, not sit. When the company needed money, it simply cut back on capital expenditures. The trust was milking the company dry. The growers felt they could run it better."

The Red River Valley Sugarbeet Growers Association even offered to pay for some new facilities to help speed the harvest and stockpiling, but the company refused, fearing that growers might then want a voice in how the facilities were operated. In 1971, growers became more worried when the company suddenly shut down its plant in Chaska, Minn., rather than investing several million dollars to meet stricter air pollution standards. While earlier plant closings had concerned growers, this one scared them. The company was also threatening to cut back acres, along with rumors of a factory closing in the valley.

In the face of these cutbacks, growers concluded that they could only influence the company's direction from the inside. Al Bloomquist, the association's executive vice president, learned that food giant Borden was

willing to sell 100,000 shares, or 9 percent, of American Crystal's common stock, for \$2.3 million. Through the purchase of those shares, they hoped to gain a voice in the future direction of the company. Bloomquist informed the company of the association's intent to buy the shares while simultaneously including a note that asked whether the company's board would entertain a buyout offer based on book value for its facilities.

During an industry meeting in Phoenix in March 1972, the company indicated it would be interested in a sale, although most officers and the directors had serious doubts that the farmers could pull off such a deal. At that time, the company's book value was 66 percent higher than its stock was trading for, hence ears

perked up when there was mention of a sale at those terms. Bloomquist was told to invite the growers' executive committee to meet with the American Crystal board in Denver in one week.

If the idea of buying a sugar company scared the growers, losing such an opportunity was worse. So the committee unanimously decided to pursue the buyout.

Bloomquist may not have been universally loved by the growers, but he was well respected and known as a man of integrity who was not afraid of big ideas. The growers also had faith in their attorney, William Dosland, one of the Valley's most respected legal counsels. He advised the growers' executive committee that the key to making a good deal was to hire the right legal and financial professionals who could help them through mountains of paperwork, including prospectus and proxy statements, and through potentially rancorous negotiations with skilled corporate lawyers. This they did, although the board had to swallow hard before agreeing to spend \$500,000 for such services.

The law firm they hired quickly concluded that the company was not doing as well as indicated by the generous dividends it was paying; they suspected the company was playing tricks to keep stockholders happy. Uncovering the company's true worth, they advised, would not be easy.

Undaunted, on March 8, the full 40-member association board voted 37-3 to pursue a deal.

After meeting with the St. Paul Bank for Cooperatives, it was decided the company should be operated as a



cooperative if a deal could be reached. Not only were commercial lenders not interested in offering long-term financing, but a co-op offered tax advantages and liability protections that a for-profit business did not. The cost was calculated at \$60 million, plus \$26 million more to retire short and long-term loan obligations. The bank wanted growers to come up with \$20 million.

One week after making the initial proposal, the growers' team flew to Denver to meet the company's board. American Crystal directors were impressed by what the growers brought to the table and gave them one month, until April 15, to raise the money. The growers then hired the Wall Street investment firm of Loeb Rhodes to polish their offer and, at the bank's insistence, hired a German company, BMA, to more closely appraise American Crystal's seven sugar factories. BMA concluded that the factories were in better shape than the growers thought, and could be operated as they were. The Bank for Cooperatives issued a letter of credit for \$66 million for the purchase, and \$30 million more for seasonal operating loans. It said it was willing to study further loans for capital improvements.

The growers were advised it would be best to form a stock corporation to buy American Crystal, which in turn would immediately be purchased by the co-op. But that also necessitated bringing in an intermediate lender, since the Bank for Co-ops could not finance a stock corporation. A consortium of four banks was forged to finance the initial buyout, until the co-op took over.

To finance the growers' \$20 million investment, the association developed a plan to expand the Valley's beet acreage and required growers to invest \$100 for each acre of beets they raised. Total acreage base was set at 200,000 – or 40,000 more than contracted for in 1972. Most growers supported the plan, although some were unhappy about having to pay for something they previously got for free – a beet contract. But Bloomquist countered that a beet contract was never guaranteed as long as someone else owned the company.

Organized grower opposition circulated flyers saying it would be better to let American Crystal go broke, or to ship their beets to processors outside the Valley. The proponents' education efforts stressed that the buyout meant growers would own their beet contracts, that they could vote in how the company was operated and that they would share in any profits. Further, the co-op would increase acreage and invest in plants for the long term.

In the end, hope of success spoke louder than fear of failure.

On April 10, 1973, 1,500 growers jammed into the Grand Forks Armory to vote. Seventy percent of them (1,065) voted in favor.

The growers' experts had to make sure there were no unresolved liabilities or outstanding tax issues. After a month of negotiating, during which the growers' team had flown 100,000 miles back and forth to Denver, a deal was approved pending completion of financial arrangements and approval by American Crystal's shareholders.

Financing for growers' still hinged on the cooperation of small, local banks and production credit associations. In the end, nearly 60 Valley banks and PCAs loaned money to cover the growers' investment.

Company shareholders overwhelmingly approved the sale on Jan. 23, 1973. On Feb. 21, Crystal Growers Corp. paid \$86 million, then merged into American Crystal and ceased to exist as a corporate entity.

Later that night, a joint celebration dinner was held at Denver's Brown Palace hotel. Bloomquist recalls that several company directors told him they had never even been in the Red River Valley, nor ever seen a sugarcane. Most said they had doubted the farmers could

pull off the deal. "You really showed us something" one said to Bloomquist.

The transition to a co-op was completed on June 14, 1973, and – after 74 years of being headquartered in Denver or New York City – American Crystal had truly found a home in the Red River Valley. ■

*In the end,
hope of success
spoke louder than
fear of failure.*



USDA co-op development efforts support commercial farming in Ghana



By **John R. Dunn**, *Director*
Co-op Resources Management Division
USDA Rural Development

Since 2000, the Cooperatives Program of USDA Rural Development has been

working in Ghana to build western-style cooperatives that help Ghanaian farmers successfully market their farm products. The vital work in this poor, West African nation is carried out under the banner of the Consultative Committee on Agriculture and Rural Development (CCARD). CCARD is a formal, government-to-government relationship between USDA and the Ghana Ministry of Food and Agriculture (MOFA).

The purpose of the Ghana Cooperative project is to extend western cooperative models into a Ghanaian setting to help farmers there transition to a more commercial level of food production. The project operates with a two-pronged strategy of direct advisory assistance and training which targets

existing cooperatives and intervenes with Ghanaian institutions that can help sustain the adoption of western cooperative models over the long haul.

CCARD conducts a series of joint activities that serve the agricultural and

trade interests of both nations. USDA agencies with active involvement in CCARD include: Rural Development; Cooperative Research, Education and Extension Service; Foreign Agricultural Service; Natural Resources Conservation Service; and the Agricultural Marketing Service. Activities conducted by CCARD are funded primarily by the U.S. Agency for International Development (USAID).

The Ghana Cooperative Assistance project, managed by the Cooperatives Program of USDA Rural Development, was initially funded under USAID's African Trade and Investment Program (ATRIP), but has since been adopted by USAID's mission in Ghana. The ATRIP-funded project covered work both in Senegal (in partnership with the Federation of Southern Cooperatives) and in Ghana (in partnership with OIC International). Current efforts focus exclusively in Ghana and parallel Rural Development's Nigeria cooperative development project (see *Rural Cooperatives*, Jan./Feb. 2004 issue).



Pineapples are inspected and packed for the export market at the Farmapine Ghana Ltd. Co-op. Top: Rice is harvested by members of Dawhenya cooperative, which is helping members sell higher value, milled rice. USDA photos by John Dunn and Tracey Kennedy

Capacity building at Ghana Cooperative College

The Ghana Cooperative College is a small institution in Kumasi, the Ashanti region capital. It is charged with training managers and directors of Ghana's cooperative system in basic cooperative principles and business skills. This college is extremely lacking in resources and was sliding into decline, a result of diminishing public funding and, more significantly, of reliance on the teaching of outdated and ineffective top-down models of cooperative enterprise. Reform and rejuvenation of the Cooperative College became one of the centerpiece projects under CCARD.

As a first step, former USDA Cooperatives Program staff member Rosemary Mahoney was contracted to conduct a curriculum review and assessment for the college. This resulted in a series of recommendations and strategies for improving the overall conditions of the college.

In February, one of the centerpiece recommendations was implemented with the opening of a new computer-training facility at the college. The new computer lab will provide students

with basic training in business software and IT methods essential to contemporary business operations. The opening of the center represents a true public-private partnership. Partially funded by USAID, with computer donations from the National Cooperative Bank, National Rural Telecommunications Association and the Cooperative Development Foundation, the center is managed by volunteers of the U.S Peace Corps.

Future activity will include staff development, planning, and cooperative course designs, to be done in partnership with the Cooperative Center at the University of Wisconsin.

Cooperatives provide technical assistance

Rural Development's Cooperatives Program contracted with OIC International, a Philadelphia-based nonprofit organization, to provide the in-country presence for the project, which worked directly with a set of selected cooperative associations. Project coordinator Ferdinand Nyantakyi-Dapaah worked with cooperative organizations identified as "high potential" organizations. He

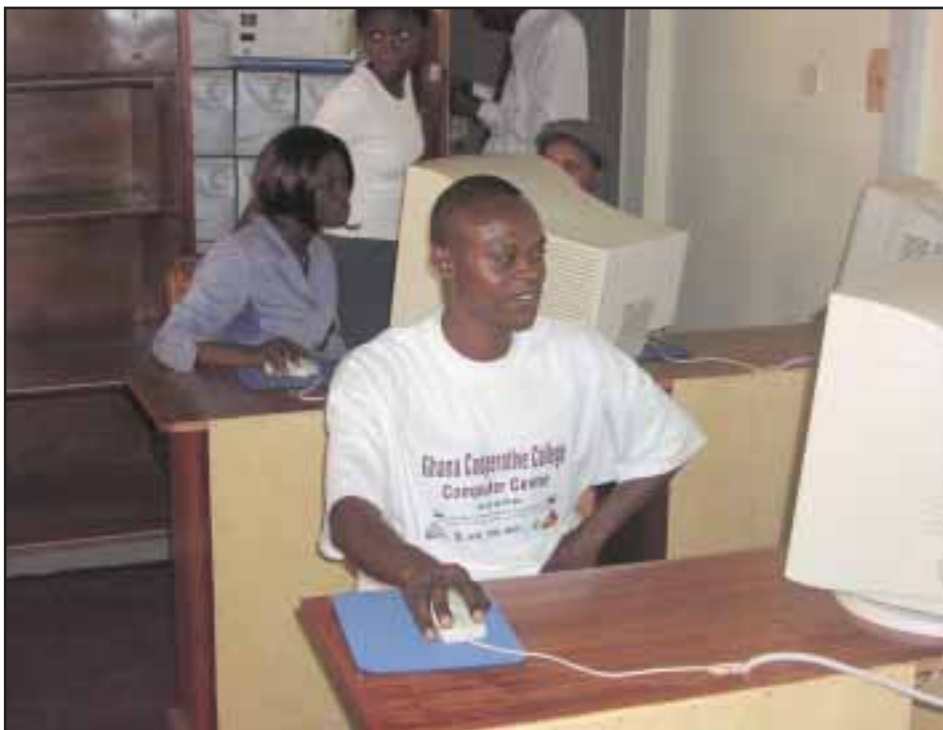
provided training and advisory assistance. The focus was on structural or operating issues that were constraining the organizations from taking the next necessary step toward business success.

Farmapine Ghana Limited at Nsawam, eastern region is a 'farmer-owned' limited liability company owned by five pineapple cooperative societies (with an 80 percent share) and two limited liability companies (with a 20 percent share) that received its original capitalization through a World Bank loan. The cooperative's goal was to build an export-based marketing program for Ghanaian pineapples. Farmapine's major challenges included restructuring its finances to replace the expiring World Bank loan, improving product handling practices, and resolving significant schisms within the membership base.

The Cooperative Development project coordinator provided formal training to 320 members of the five pineapple cooperatives to help in the development and implementation of workable business plans, cooperative basic principles and governance, and pineapple crown reduction to meet export requirements. In addition, there is ongoing mediation to help the cooperative work through these issues and move to a more sustainable footing. Within two years of operation, Farmapine Ghana Ltd. became the second largest exporter of fresh pineapples in Ghana.

Dawhenya Irrigation Cooperative Rice Growers Society is an irrigated-rice cooperative composed of about 120 farmers, each farming 1-2 hectares of rice. This cooperative, formed around a Ghanaian government irrigation plan, enabled farmers to produce high-quality rice, but they lacked capacity to mill more than about 10 percent of the members' production, meaning they had to sell lower value, in-hull rice.

The development project worked with the cooperative to establish a more formal business plan that provided the foundation for the co-op to arrange milling services for all of its



Ghana Co-op College staff members try out computers at a new training center in Kumasi.

members' crop. This basic, value-added improvement produced a product farmers could sell for nearly twice the value of their unprocessed rice. Through the cooperative development project, the members have also been linked to a large-scale buyer, Continental Commodity Trading Co. This company provides inputs for farmers on credit and buys the majority of the rice produced by these farmers, processes and packages it, then markets the rice under the Ghana Pride brand.

Cassava-starch project has major potential

A major poverty reduction initiative under Ghana President J. A. Kufour involves the creation of a starch-manufacturing industry to help Ghanaian farmers increase income from their cassava crop. Cassava, a root crop that is a staple of Ghanaian diet, has historically been subject to considerable losses. President Kufour's program is intended to build 10 cassava-starch production plants over a five-year period. They will sell commercial-grade starch, primarily to European markets. The first of these plants, the Ayensu Starch Company (ASCo), established at Bawjiase in the central region, was formally commissioned by President Kufour on Feb. 24.

The cooperative development project is working with the Ghanaian Ministry of Trade and Industry to develop farmer cooperatives to supply

cassava root to the plants and, eventually, to take an ownership position. Some 10,000 small farmers have been organized into cooperative units to support the initial plant of this nationwide program. The grassroots,

By addressing their problems together, in cooperative businesses that they own and in which they actively participate, Ghanaian farmers are learning the power of cooperation.

democratic structures established for these co-ops have facilitated production planning, input supply and technical assistance. Additionally, two new farmer cooperatives are being organized for two new cassava-processing plants for Eastern and Ashanti regions this year.

Many challenges remain

Business success is never guaranteed for cooperatives, even in the most advanced economies. The vulnerabilities and fragilities present within economies of developing nations make the cooperative development process even more daunting. For example, in spite of its significant gains, the survival of Dawhenya Irrigation Cooperative Rice Society Ltd., is very much in doubt. The situation is the same for another cooperative targeted for assistance, Weiji Irrigation Cooperative Vegetable Growers Society Ltd.

Significant changes in electric-price policies of the Ghanaian government have jeopardized the viability of all agribusinesses tied to public irrigation projects. Many other challenges will continue to face Ghanaian cooperatives.

Other needs include: better transportation systems, more reliable utilities and communications systems, better post-harvest handling practices, adoption of meaningful grades and standards and modern processing and packaging capacities. These are just some of the needs against which Ghanaian farmers must struggle to realize a degree of the success of their counterparts in the developed world. Yet by addressing their problems together, in cooperative businesses that they own and in which they actively participate, Ghanaian farmers are learning the power of cooperation. ■

Why help Ghana's cooperatives?

Often, when hearing of USDA's efforts to help cooperatives in developing nations, people ask "why?" This is understandable. The answer is based on both pragmatism — it helps us — and a humanitarian philosophy of helping others learn to support themselves.

Successful cooperatives will generate income for farmers and directly contribute to economic growth. Increased income will, eventually, lead to increased demand for U.S. products. Stronger cooperative busi-

nesses in developing nations will also facilitate trade between those cooperatives and U.S. trading partners.

Activities of this sort — which improve the economic and social conditions in developing nations — build permanent reservoirs of goodwill toward the United States. The benefits of this can be far reaching.

Finally, participatory democracy is a fundamental principle of the cooperative form of business. In a time of challenge such as this, what better "product" can the United States export than democracy? ■

Election and voting policies of agricultural cooperatives

By Bruce J. Reynolds,

Economist

USDA Rural Development/RBS

bruce.reynolds@usda.gov

Editor's note: This article is the second in a three-part series on selecting and compensating directors. The first article discussed methods cooperatives use to select and nominate board candidates (see page 21 of the November-December 2003 issue, on line at: www.rurdev.usda.gov/rbs/pub/openmag.htm). This second article examines election and member voting policies.

The critical trade-off in cooperative voting policies is the need to establish sufficient voice for members in electing their directors, while at the same time providing for a certain amount of board independence from disruptive member pressures. Election and voting policies are designed to choose directors who will exercise leadership in reconciling member interests and prioritizing goals that will yield the most long-term benefits for membership as a whole.

Survey results of election and voting policies show different ways that cooperatives have sought to establish leadership that both represents members and achieves business success. The following six policies influence this balance:

- board size in relation to membership;
- term lengths;
- term limits;
- competitive elections;
- outside directors;
- member voting power.

Table 1: Size of board of directors for 437 respondent cooperatives in 2003, expressed as a percent of membership size intervals and in total.

Members	Number of directors on respondent boards						Cooperatives
	5	7	9	6&8	>9	:	
<800	13%	52%	19%	:	6%	10%	: 144
800-1,499	10%	35%	23%	:	10%	22%	: 107
1,500-2,999	8%	26%	25%	:	6%	35%	: 106
>3,000	9%	17%	20%	:	15%	39%	: 80
Total	11%	35%	22%	:	8%	24%	: 437

Many of these policies have various kinds of interrelations. For example, in the first policy issue, the number of board seats is influenced by the size of the membership. As another example, cooperatives with the longest director terms more often apply limits on the number of times a director can be re-elected. In addition, the much-debated issue of member voting power centers

on whether larger producers should have more votes than provided by a one member-one vote policy. This point was raised in an article about preparing for the future in the Nov-Dec 2003 *Rural Cooperatives*. A question for research is whether voting method influences a tendency for either relatively large or small farmers to serve on cooperative boards of directors. To help answer this question, data were collected on the farm size of directors in relation to the membership as a whole.

Board size

Table 1 reports the number of director seats on cooperative boards, sorted by different membership size intervals. Seven-member boards are the most popular board size, with nine and five-member boards being the next most popular sizes. Only in the largest membership size interval, 3,000 and above, are nine directors the most frequent board size (occurring in 16 out of 80 cooperatives).

Election and voting policies are designed to choose directors who will exercise leadership in reconciling member interests and prioritizing goals...

As membership size increases, so does the frequency of boards with more than nine directors (see column >9, table 1). For boards that exceed nine directors, no particular board size predominates, being widely dispersed in the range from 10 to 51 directors. But the fact that nine directors is the median for co-ops with 1,500 or more members shows that large organizations also tend to restrain the size of their boards.

Table 2: Size of board of directors for 437 co-ops surveyed in 2003, expressed as a percent of co-ops without districts and with districts.

Cooperatives	Number of directors on the boards					
	5	7	9	:	6&8	>9
Without districts	17%	48%	22%	:	5%	8%
With districts	7%	29%	22%	:	10%	32%
Total	11%	35%	22%	:	8%	24%

Table 2 reports the data for survey respondents that have only at-large directors (no districts), and for those with districts. There were 145 respondents without districts and 292 with districts. The latter generally have larger boards, with a much higher percent having more than nine directors, while 48 percent of cooperatives without districts have a board size of 7 directors. Another distinction, though not reported in Table 2, is cooperatives with membership districts where members, or delegates, elect only the director for their district (and perhaps one or two at-large directors), vs. those where directors are elected by district, but all members get to vote for all directors, regardless of which district they live in.

Term lengths

Length of board terms varied between one to seven years, with three years being the overwhelmingly popular choice. The survey results for this question are reported in table 3. The seven cooperatives with seven-year terms are all in Tennessee, suggesting

that at the time these cooperatives organized there, the state incorporation statute may have specified that particular term length.

Term limits

Limits on the number of consecutive times directors can serve (term limits) are used by 154 cooperatives (35 percent), while 281 (65 percent) have no limits on consecutive terms (based on 435 responses). Term limits are now

only practical, since the incumbents have to run for election so frequently. Three of the seven respondents having a seven-year term prohibit directors from running for a second term, but the other four have no term limits.

Of the 154 cooperatives reporting the use of term limits, 149 also reported the maximum number of consecutive terms directors may serve. Four of these respondents prohibit election to consecutive board terms, i.e., a one-term limit. Table 4 reports the number of respondents with term limits. In each of six instances where co-ops limit directors to five or six consecutive terms, the term length is three years. Many cooperatives allow members who have reached the limit on consecutive terms to run again after they have been off the board for one term.

Competitive elections

Many democratic organizations, including some cooperatives, have nominating committees that follow the

Table 3: Length in years of an elected term on the board, reported by 434 cooperatives, 2003.

Term length (years)	1	2	3	4	5	6	7
Number of cooperatives	19	12	382	9	4	1	7

Table 4: Single term and consecutive terms that members may serve on the board, reported by 149 cooperatives with term limits, 2003.

Number of terms	1	2	3	4	5	6
Number of cooperatives	4	17	90	32	5	1

more frequent than in the past, as indicated by comparison with the 1949 survey.¹ In that survey, 76 cooperatives (8 percent) had term limits, while 827 cooperatives (92 percent) let incumbents run for election to board seats for an unlimited number of terms.

Furthermore, out of 31 respondents with term lengths of one or two years (those in the first two columns of table 3), none have term limits. This seems

recommendations of Robert's Rules of Order in submitting only one candidate for each board vacancy.² However, cooperatives have traditionally been advised to run more than one candidate per seat, usually by encouraging open and flexible processes for nominating candidates.³ About one-third (148) of respondent cooperatives require that at least two candidates run for each board seat.

There is no practical reason for nominating committees to limit their selection and nomination to one candidate per seat. Robert's Rules have for more than a century been a useful procedural guide, but their applications ought to be flexible. The rules have influenced some organizations to adopt governance policies that might be impractical for many applied situations, as noted by one scholar.⁴

One survey respondent from a cooperative without an opposing candidate requirement commented that it still always has two candidates run for board seats. Ten other respondents commented that, although not required, they still make extra efforts to recruit second candidates, but do not always succeed.

Several respondents commented that two opposing candidates are preferable, but finding members to run for the board is difficult. Another respondent mentioned that the cooperative recently terminated the policy

An equally important trade-off is to have a board that can pursue independent deliberation, and not simply deliver mandates from their supporters or districts.

of having at least two opposing candidates because "members got tired of getting beat" when running against incumbents.

Outside directors

One of the traditional requirements for directors is that they are members of the cooperative. Various objectives can be accomplished by requiring cooperative boards to exclusively consist of members, with member control being especially important. Members can also establish control when a minority of non-members may serve on a board, so long as member directors can exercise a majority under all voting and decision rules where more than a simple majority might be required.

In this survey, 18 cooperatives reported having outside, or non-member, directors with the power to vote on decisions. Two of the 18 cooperatives define their outside board members as "public directors," while 16 cooperatives select outsiders to serve from the general community of business leaders and professionals. Four of the 16 had more than one seat on their boards designated for outside directors.

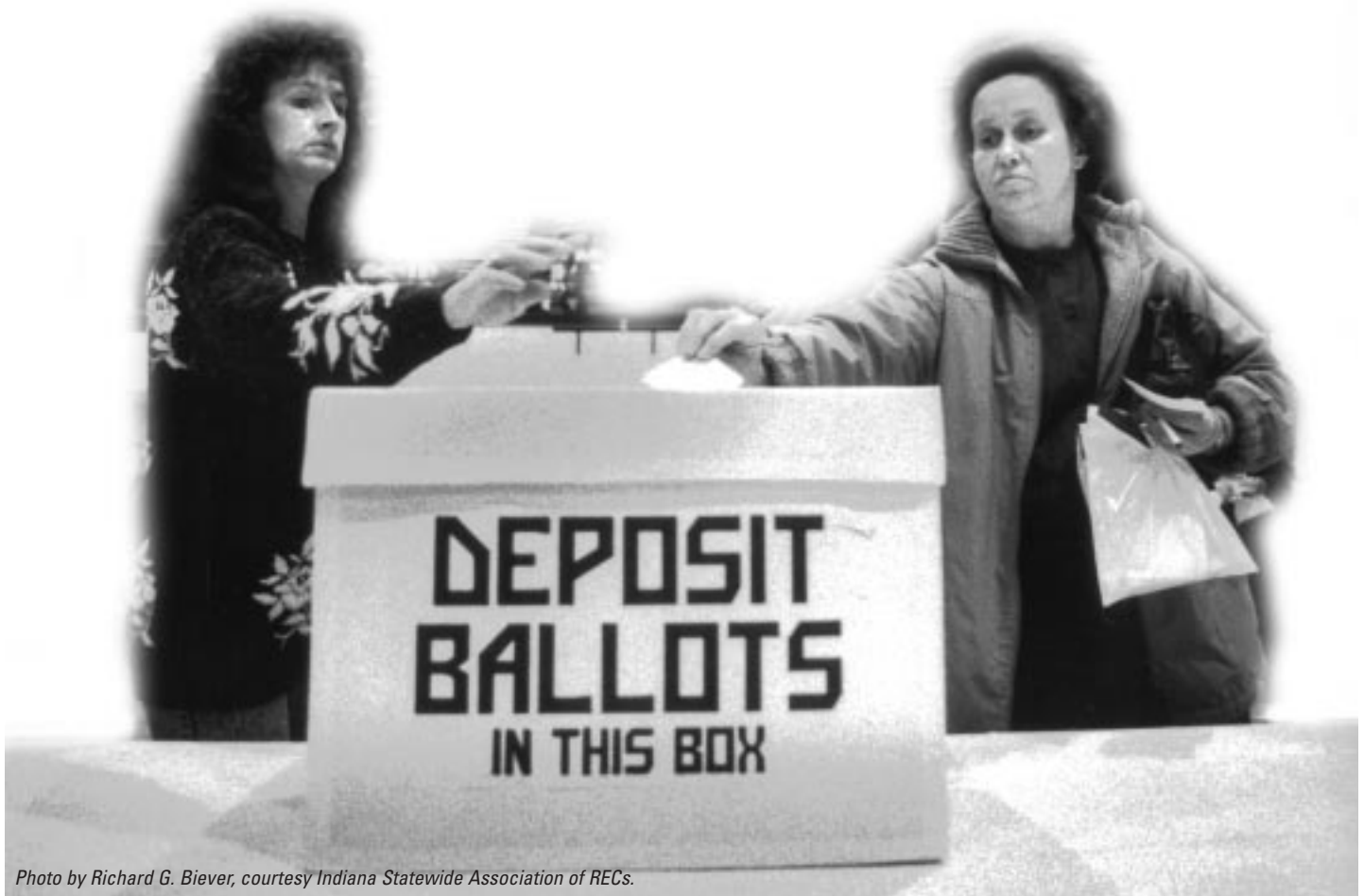


Photo by Richard G. Biever, courtesy Indiana Statewide Association of RECs.

Some respondents commented that their bylaws permit outside directors, but that they did not exercise that authority. Others said they were studying the use of outside directors. In surveys completed by co-op managers, several wrote that having one seat on the board designated for a non-member with special business or professional experience would be very helpful to management.

Farm size and voting method

Does a policy of one member-one vote result in disproportionate influence by relatively small farmers? This question can only be answered on a case-by-case basis, but the composition of boards in terms of relative farm size is worth a look. The survey results show the extent to which boards are made up of the largest farmers in a cooperative's membership. There are no presumed advantages or disadvantages of directors having either large or small farms. Of course, the critical distinction is differences in patronage volume, and farm size is only an approximation. But above all, electing the best directors possible is the key task.

The issue of member voting power is often debated under the assumption that the one member-one vote procedure results in boards with under-representation for large farm operators (large volume patrons). Some argue that proportional voting corrects such imbalance, and feel that this method is used too infrequently. Out of the 379 survey responses on the relative farm size of directors, only 27 have proportional voting.

Table 5 reports the percent of directors in the four quartiles (the smallest 25% of members are in the 1st quartile). The percent of directors in the largest and smallest halves for cooperatives with proportional voting and for those with one member-one vote are also reported in table 5. Even though the size of the two comparative groups is lopsided, it shows that proportional voting resulted in more of the larger producers being elected to boards of directors. The 4th quartile of farm

operators by size held 37% of the board seats in 27 proportional voting cooperatives, in contrast to 26% in the 352 one member-one vote cooperatives. Still, most one member-one vote cooperatives also prefer to elect directors from among the relatively largest farmers in their membership. About 63% of one member-one vote cooperatives elect directors who are among the largest half of farm operating size in the membership.

the importance of election and voting policies that support the development of strong team-building on the board. Yet, brought to an extreme, a cohesive team can be complacent and unresponsive to new ideas that challenge the *status quo*.

Election and voting policies used most frequently are not necessarily the best. That evaluation has to be made in the context of each individual organization. When members are involved

Table 5: Percent of directors in farm size quartiles of the membership for cooperatives with proportional voting and with one vote per member.

	Proportional voting (27 co-ops)	One member-one vote (352 co-ops)
	<u>Percent</u>	<u>Percent</u>
1st quartile	9	12
2nd quartile	17	25
3rd quartile	37	37
4th quartile	37	26
	100%	100%
Smallest half	26	37
Largest half	74	63
	100%	100%

Policy by design

Designing policies for board elections and member voting can be a simple matter of adopting commonly reported practices or implementing the recommendations from manuals such as Robert's Rules. It can also be more demanding when members take it upon themselves to design a system that reflects their values and, more specifically, try to balance attributes that while creating some friction, can induce more pressures for superior leadership. Election and voting policies usually try to offer members good choices and enough influence from voting so that elected directors will represent their interests. But an equally important trade-off is to have a board that can pursue independent deliberation, and not simply deliver mandates from their supporters or districts.

Another trade-off, discussed in the article on selecting candidates, involves

with designing or revising their policies, a fresh and creative approach can make the difference between the merely functional and the achievement of excellence in the governance of cooperatives.

¹ Nelda Griffen, H. N. Weigandt and K. B. Gardner, *Selecting and Electing Directors of Farmers' Cooperatives*. USDA/Farmer Cooperative Service, General Report #14, 1955.

² Henry M. Robert III, *et al*, *Robert's Rules of Order*. 10th edition, 2000, (1st edition, 1876) p. 419.

³ Helim H. Hulbert, David Volkin, and Nelda Griffen, *Bylaw Provisions for Selecting Directors of Major Regional Farmer Cooperatives*. USDA/Farmer Cooperative Service, General Report # 78, 1960, p. 12-13.

⁴ Russell Hardin, *Liberalism, Constitutionalism, and Democracy*. Oxford University Press, 1999, p. 110.

Sharing the umbrella

State co-op councils broaden base to serve consolidating co-op sectors

By Pamela J. Karg

Editor's note: Karg is a freelance journalist based in Baraboo, Wis., with more than 20 years experience writing about cooperatives.

It started as a way to tackle issues swirling around deregulation of the electric industry. But the effort led to a merger that has since become the organizational norm, rather than the exception, for the nation's state cooperative councils. As individual members and cooperatives change, America's state cooperative councils have had to change along with them to survive.

The trendsetter for broader-based co-op councils was Wisconsin in the late 1980s. Rod Nilsestuen, now the state's secretary of agriculture, then headed the Wisconsin Federation of Cooperatives (WFC), which had a primarily farm co-op membership base. The Wisconsin Rural Electric Cooperative Association (WRECA) sat down to talk with WFC about working together to educate legislators and others about electrical deregulation issues. At that time, Wisconsin and California were in a dead-heat to be the first to deregulate. Each had proponents who wanted to win that race.

"We knew each other," Nilsestuen explains of the relationship between Wisconsin's farm and electric co-op associations. "Many rural electric were members of WFC. We had cross-over membership where, for example, a dairy farmer representative to WFC might also be a rural electric representative to the state electric association."

The net result of the meeting of the two organizations was an interim man-

agement plan for the rural electric association to reorganize and restructure, initially to ward off any fall-out from deregulation, Nilsestuen says. The management plan turned into a coalition. That, in turn, led to a consolidation of office space and, eventually, a merger of staff.

Unbeknownst at the time, this joining of the state co-op farm and the electric councils was the forerunner of similar moves made by a number of cooperative councils in other states, which are broadening their membership to include farm and non-farm cooperatives.

A changing rural landscape

Cooperative service and trade associations, including state councils, have been at the vortex of a changing rural landscape. In agriculture, for example, there are fewer, larger farming operations. In turn, there are fewer, yet larger farmer-owned cooperatives. Smaller co-op organizations are consolidating to better serve larger farming operations.

Fewer cooperatives means fewer dues-paying members in state co-op councils. Simultaneously, technological advances are making it possible for people to communicate from opposite sides of a state, the nation or even the world just as though they were in the same room.

Amid the multi-faceted business changes, Wisconsin and Minnesota farmers began talking about how their state co-op councils could better serve them. As a center of America's dairy industry, milk producers from both states had been working together through cooperatives for much of the past century. The two states also had

worked together in other organizations to form an Upper Midwest powerhouse of cooperative activities.

So it came as no surprise when WFC and the Minnesota Association of Cooperatives (MAC) announced an alliance in 1999. Nilsestuen says the history of working together helped the two state councils grow together, develop a cooperative research consortium and establish the Cooperative Development Service. MAC, in particular, had been struggling in a number of areas, and it was felt it could be strengthened through the union with Wisconsin.

When the separate boards approved the alliance, each organization kept its separate identity, yet gained the single membership benefits from shared programs that increase program efficiency and effectiveness. The alliance is proving successful by coordinating education, dairy and communications programs, as well as certain administrative functions, he observes. Each state continues to operate its own legislative affairs office.

"It proved to be a mechanism for members to do things together that they just couldn't do separately," Nilsestuen says.

Volunteers are essential

"What keeps these organizations going is the volunteer help they get," says James R. Barnett, past president of the Mid-Atlantic Alliance of Cooperatives (MAAC). "As individual cooperatives merge and look at their budgets, they try to reduce their costs and decide to pay for only one membership where, prior to merger, they would have had to pay for at least two memberships. With fewer and fewer

employees and members, you have less people to carry out programs. The people you do have, have less time to commit to helping put on programs.”

Something had to give before all was lost in the region. So the leaders from 24 Pennsylvania- and Maryland-based cooperatives formed a joint organization. They recognized they would individually gain strength by combining efforts to meet their specialized needs and interests.

“It’s not always easy,” admits



“Our members and leadership put forward ideas they want us to enact to make the business environment easier for cooperatives to operate in,” says Bill Oemichen, president of the MFC-MAC Alliance. Photo by Pamela J. Karg

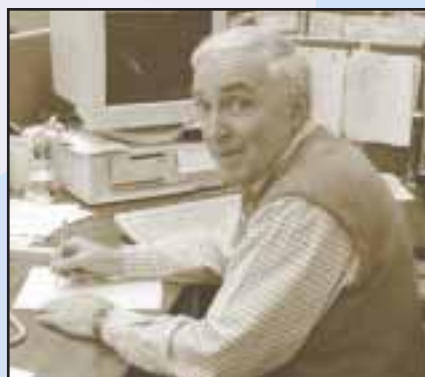
Barnett. “People with both organizations — some for 30 years — ask, ‘How can you let this go away? I helped build this up — how can I let it go?’”

According to the MAAC leader, cooperatives face many challenges: the need to increase profitably and competitiveness; managing change; the need to expand membership; hiring, training and retaining employees. Through MAAC, the member cooperatives are creating services that will help them deal with a host of priorities in today’s business world. The organization’s primary thrusts are education, networking, encouraging appreciation for co-ops and strengthening communities through cooperatives.

Pennsylvania and Maryland state council directors initially served on the new MAAC board. They fed the new organization hundreds of ideas of what programming to maintain to meet its

goals. The directors decided to take the strengths of the founding councils — including youth programs, young cooperator workshops and director training sessions — and parlay them into the common ground on which to build MAAC.

“We had been using the National Institute on Cooperative Education (NICE) as a carrot — an incentive — to get youth to our programs,” Barnett explains. “When they participated, we had a process to select several youths to attend NICE. With the reorganiza-



“What keeps these organizations going is the volunteer help they get,” says James Barnett past president of the Mid-Atlantic Alliance of Cooperatives.

tion of NICE [now held strictly as a youth co-op education conference], we looked at the programming, found ways to keep our youth involved in the new NICE program and we have some success stories.”

Even though MAAC found fewer youth with cooperative experience, it decided to target groups for specialized cooperative training. For example, 75 percent of last year’s state FFA officers participated in a MAAC program. Meanwhile, the director-training workshops become more sophisticated because, as farms and cooperatives grow, so do oversight issues.

“When you make a decision any more, it’s not just a million-dollar question, but a \$5 million or a \$500 million question,” Barnett says. “So we need to make sure our programs give directors a better understanding of financing, how to ask the right questions of general managers and how to

step up at meetings to make themselves heard.”

Gaining political power through co-op unity

Back in Wisconsin, the WFC-MAC Alliance headed to the statehouse rather than concentrating on the schoolhouse. While communication and education are important, the real value comes from its political know-how and perseverance.

“We are very ‘retail’ oriented,” says Bill Oemichen, president and CEO of the WFC-MAC Alliance. He and the Alliance were seemingly made for each other. Oemichen formerly served as deputy commissioner of the Minnesota Agriculture Department and then as Wisconsin’s top consumer protection official at the Wisconsin Department of Agriculture, Trade and Consumer Protection — the agency Nilsestuen now heads. The attorney

stepped into his Alliance leadership role in 2002. That ‘retail’ orientation means the Alliance continually listens to its members to determine what they expect of their trade association.

“What a lot of cooperatives are telling us is that we need to function as their trade association, representing their legislative interests to the governor, legislatures, state and federal administrations and agencies and to Congress,” Oemichen says. “Our members and leadership put forward ideas that they want us to enact to make the business environment easier for cooperatives to operate.”

While many cooperatives are getting larger, it creates niches for smaller cooperatives to serve other members’ needs. The Alliance strives to put forward legislation that helps cooperatives regardless of size, services, sector and other distinguishing features. Bringing together nearly 800

separate cooperatives — some of them competitors in the marketplace or the countryside — is often a struggle, Oemichen admits.

With its Scandinavian background, Minnesotans are more government activists. They're very involved in developing new agricultural cooperatives. By contrast, Wisconsin's German Lutheran and Catholic background gives it a more conservative flavor.

"But we're learning from each other, blending different attitudes and engaging in healthy discussions that are leading us to make more innovations," he says.

"Yet it's efficient, because Wisconsin and Minnesota cooperatives face similar challenges and they realize the alliance can bring political power to the lobbying process. In our diversity, we're finding our power," Oemichen says. "But our real power is that unity, because we come together as cooperatives to talk to political leaders. That's 2.9 million Wisconsinites and 3.4 million Minnesotans. That's 20 percent of all the members involved in the 48,000 cooperatives across the United States. That's pretty powerful."

Legislative focus benefits all

Dairy producer Edward Brooks also sees great value in regional co-op organizations. Brooks, who milks 50 Brown Swiss cows, serves as board chairman of the Foremost Farms USA dairy cooperative, headquartered in Baraboo, Wis., and as chairman of WFC, with offices in Madison, Wis. (The MAC half of the Alliance is housed in St. Paul, Minn., and it is chaired by Curt Eischens of CHS Cooperative.) Foremost ranks as the 26th largest cooperative in America, according to the National Cooperative Business Association. But even large co-ops like Foremost rely on trade associations such as the WFC-MAC Alliance, Brooks says.

"I don't think Foremost would have enough resources to cover all the different legislative issues that could

impact its business operations and its members in the seven different states where we have a presence," Brooks says. "The Alliance has people who can follow all those issues. They know how they all work together and they have people who are respected in state capitals who can communicate our points of view."

The Alliance backs up legislative positions presented by staff with its members' CEOs and directors, making legislative contacts and testifying before committees. These local cooperative leaders such as Brooks are on the frontline, living within current legislation and ably equipped to provide first-hand explanations for making new laws, Oemichen says.

Brooks sees other advantages to working together through the Alliance. For example, when Wisconsin cooperatives pushed to develop rural group health cooperatives, it could examine and build on Minnesota's experience. Or, when Minnesota cooperative leaders across sectors wanted to delve into some type of dairy investment tax credit program, they could pull out the best parts of a Wisconsin plan.

"I think working together through the Alliance has made us wiser and allowed us to feed off of each other's experiences so that we're all stronger in the long run," Brooks says.

Follow the member trail

Recently, Chuck Cruickshank addressed Mid-Atlantic members attending their first-ever annual meeting. The director of procurement and member services for the Mid-Atlantic region of Land O'Lakes, Cruickshank talked about profitability, staying competitive, keeping current and meeting price expectations. Yet, he cited survey results where 44 percent of respondents worried whether their co-op would be able to compete in the future.

With challenges of government regulation, dwindling numbers, pressures to consolidate and a volatile economy, Cruickshank said that if cooperatives are to survive, they have

to move ahead of the customer, avoid commodity pitfalls, demonstrate strategic agility and form partnerships with other cooperatives and with the private sector.

If a cooperative is only as effective and profitable as its individual members, how do the changes taking place across rural America then impact the organizations that serve the cooperatives? Examine what individual members are doing and figure out where the organization needs to head, advises Bruce Anderson, professor of business management and marketing in the College of Agriculture and Life Sciences at Cornell University, Ithaca, N.Y. Anderson also serves as an advisor to the Northeast Cooperative Council (NECC), which focuses on co-op education issues, and as a director of a purchasing cooperative owned by Cornell sororities and fraternities. Strategic planning is one of Anderson's specialties.

When farm numbers decreased in New England, so did the number of cooperatives. Like other regions, the surviving farms and cooperatives were larger. NECC responded by expanding its membership area to include all Northeastern states' agricultural co-op councils, extending to the New York-Pennsylvania border.

"I think we realized that our interests are so diverse that we couldn't get consumer cooperatives or credit unions involved with agricultural cooperatives," Anderson says. "It could happen in the future," he speculates. "If the financial pain ever gets high enough, people do come together in the same room and start to think about working together. But, right now, things look pretty good."

There's no doubt in his mind that more consolidations will come — whether across sectors, within industries or among state councils — as the cooperative movement goes forward. Whether they fill education voids or form a political front, Anderson says all cooperatives will still need to work together through some type of trade association to tackle issues unique to their business structure. ■

State or regional cooperative associations

CALIFORNIA

Agricultural Council of California
Donald G. Gordon, Jr., President
1225 H Street
Sacramento, CA 95814-1910
Telephone: (916) 443-4887
FAX: (916) 443-0601
E-Mail Address: info@agcouncil.org
Home Page: www.agcouncil.org

COLORADO

Colorado Cooperative Council, Inc.
Doyle Smith, Consultant
P.O. Box 506,
Eaton, CO 80615
Telephone: (970) 454-4054
FAX: (970) 454-4082
E-Mail Address:
DNSmith@coloradocoops.com

FLORIDA

Florida Council of Cooperatives
Perry Hansen, President
P.O. Box 287
Waverly, FL 33877
Telephone: (813) 439-3602
FAX: (813) 439-2639

GEORGIA

Georgia Cooperative Council, Inc.
Dick Schermerhorn, Executive Director
P.O. Box 447
Bethlehem, GA 30620
Telephone: (706) 542-0768
FAX: (706) 542-0851
E-Mail Address:
dschermerhorn@agecon.usa.edu
Home Page:
www.agecon.uga.edu/~gacoops/

IDAHO

Idaho Cooperative Council, Inc.
Rick C. Waitley, Executive Director
55 SW 5th Avenue, Suite 100
Meridian, ID 83642-3030
Telephone: (208) 888-0988
FAX: (208) 888-4586
E-Mail Address: rwaitley@spro.net

ILLINOIS

Illinois Cooperative Coordinating
Committee
Jim Fraley, Secretary

1701 Towanda Avenue
Bloomington, IL 61701
Telephone: (309) 557-3109
FAX: (309) 557-3729
E-Mail Address: fraley@ilfb.org

IOWA

Iowa Institute for Cooperatives
David Holm, Executive Director
2515 Elwood Drive, Suite 104
Ames, IA 50010-8263
Telephone: (515) 292-2667
FAX: (515) 292-1672
E-Mail Address:
info@iowainstitute.coop
Home Page: www.iacoops.org

KANSAS

Kansas Cooperative Council
(Vacant), Executive Vice President
816 SW Tyler, Suite 300
Topeka, KS 66612-1635
Telephone: (785) 233-4085
FAX: (785) 233-1038
E-Mail Address:
council@KansasCo-op.coop
Home Page: www.kansasco-op.coop/

KENTUCKY

Kentucky Council of Cooperatives
Dr. Lionel Williamson,
State Coordinator APES
306 Charles E. Barnhart Building
University of Kentucky
Lexington, KY 40546-0276
Telephone: (859) 257-1637
FAX: (859) 323-1913
E-Mail Address: lwilliam@uky.edu
Home Page: www.uky.edu/Ag/
AgEcon/apes_2002prog.html

LOUISIANA

Louisiana Council of Farmer
Cooperatives
Lenny Waguespack, Secretary
P.O. Box 67
St. James, LA 70086
Telephone: (225) 265-4056
FAX: (225) 265-4060
E-Mail Address:
Lenny@SLSCoop.com

MID-ATLANTIC

(Serving Maryland, Pennsylvania,
Delaware and New Jersey)
Mid-Atlantic Alliance of Cooperatives
Patricia E. Heuser, Executive Director
526 Brittany Drive
State College, PA 16803
Telephone: (814) 238-2401
FAX: (814) 238-7051
E-Mail Address:
info@MAACooperatives.org
Home Page:
maacooperatives.org

MID-AMERICA COOPERATIVE COUNCIL

(Serving Illinois, Indiana, Michigan and
Ohio, some of which still maintain state
councils for some functions)
Martin Hall, Executive Director
P.O. Box 223
Caledonia, MI 49316
Telephone: (616) 891-5547
FAX: (616) 891-5598
E-Mail Address:
midamericacouncil@charter.net
Home Page: www.macc.coop

MINNESOTA

Minnesota Association of Cooperatives
Amy Fredregill, Managing Director
Blair Arcade West, Suite Y
400 Selby Avenue
St. Paul, MN 55102
Telephone: (651) 228-0213
FAX: (651) 228-1184
E-mail Address:
amy.fredregill@wfcmac.coop
Home Page: www.wfcmac.coop

MISSISSIPPI

Mississippi Council of Cooperatives
Harry Dendy, Secretary/Treasurer
P.O. Box 122
Clinton, MS
Telephone: (601) 925-5423

MISSOURI

Missouri Institute of Cooperatives
Kristi Livingston,
Education Coordinator
University of Missouri
125C Mumford Hall
Columbia, MO 65211-6200
Telephone: (573) 882-0140
FAX: (573) 882-3958
E-Mail Address:
livingstonk@missouri.edu

MONTANA

Montana Council of Cooperatives
Walter Coffman, Executive Secretary
2250 8th Lane NE
Dutton, MT 59433
Telephone: (406) 753-2296
FAX: (406) 753-2296
E-Mail Address: mtcocoop@3rivers.net

NEBRASKA

Nebraska Cooperative Council
Robert C. Anderson, President
134 South 13th Street, Suite 503
Lincoln, NE 68508-1901
Telephone: (402) 475-6555
FAX: (402) 475-4538
E-Mail Address: boba@nebr.coop
Home Page: www.nebr.coop

NORTH CAROLINA

Cooperative Council of
North Carolina
Carlyle Teague, President
P.O. Box 10426
Raleigh, NC 27605
Telephone: (919) 834-5544
FAX: (919) 828-9322
E-Mail Address: carlylet@touchnc.net

NORTHEAST

Northeast Cooperative Council
Dept. of Applied Economics
& Management
Brian Henehan,
Senior Extension Assistant
Room 203, Warren Hall
Cornell University
Ithaca, NY 14853-7801
Telephone: (607) 255-8800
FAX: (607) 255-9984
E-Mail Address: bmh5@cornell.edu
Home Page:
www.cooperative.aemcornell.edu

OKLAHOMA

Oklahoma Agricultural
Cooperative Council
Mike Frickenschmidt,
Executive Director
P.O. Box 251
Enid, OK 73702
Telephone: (580) 233-2115
FAX: (580) 242-1030
E-Mail Address: mike@okagcoop.org
Home Page: www.okagcoop.org

OREGON

Agricultural Cooperative Council of
Oregon
John H. McCulley, Executive
Secretary
P.O. Box 2042
Salem, OR 97308-2042
Telephone: (503) 370-7019
FAX: (503) 587-8063
E-Mail Address: assoc@wvi.com

SOUTH CAROLINA

South Carolina Cooperative Council
Marie Stiles, CMP, Executive Director
151 Rocky Ridge Road
Leesville, SC 29070
Telephone: (803) 463-9706
FAX: (803) 604-9141
E-Mail Address: marie_stiles@msc.com

SOUTH DAKOTA

South Dakota Association of
Cooperatives
Brenda Forman, Executive Secretary
222 East Capitol Avenue, Suite 1
Pierre, SD 57501
Telephone: (605) 945-2548
FAX: (605) 945-2269
E-Mail Address: bforman@sbtc.net
Home Page: www.sdvalueadded.coop

TENNESSEE

Tennessee Council of Cooperatives
Hubert King, General Maganer
P.O. Box 272
McMinnville, TN 37110
Telephone: (931) 473-3116
FAX: (931) 473-4939

TEXAS

Texas Agricultural
Cooperative Council
Tommy Engleke, Executive
Vice President
6210 Highway 290 East, Suite 300
Austin, TX 78723
Telephone: (512) 450-0555
FAX: (512) 450-0655
E-Mail Address: coop@mytacc.com
Home Page: www.texas.coop

UTAH

Utah Council of Farmer Cooperatives
Christopher Falco, General Manager
8700 South 700 West
Sandy, UT 84070
Telephone: (801) 255-4228
FAX: (801) 255-4678

VIRGINIA

Virginia Council of Farmer
Cooperatives, Inc.
Hugh Harris, Executive Secretary
P.O. Box 25202
Richmond, VA 23260-5202
Telephone: (804) 281-1452
FAX: (804) 281-1141
E-Mail Address:
hugh.harris@sscoop.com
Home Page: www.vcfc.net

WASHINGTON

Washington State Council of Farmer
Cooperatives
Dan Coyne, Executive Director
9103 Chestnut Hill Lane, SE
Olympia, WA 98513
Telephone: (360) 786-8180
FAX: (360) 438-9170
E-Mail Address: wscfc@wscfc.org
Home Page: www.wscfc.org

WISCONSIN

Wisconsin Federation of Cooperatives
Bill Oemichen, President and CEO
131 West Wilson Street, Suite 400
Madison, WI 53703-3269
Telephone: (608) 258-4400
FAX: (608) 258-4407
E-Mail Address:
bill.oemichen@wfcmac.coop
Home Page: www.wfcmac.coop ■

CoBank keeps pace with co-ops' changing needs

Ten years ago, none of the 2,500 U.S. cooperatives and other rural businesses that make up CoBank's membership connected electronically with the Denver-based bank.

Today, nearly 1,000 of CoBank's customers manage their loan accounts and company funds through the bank's online delivery platform, CoLink®, with a growing number of them using a more robust line of cash-management services: CoBank Cash Manager.

Online banking and cash management is just one way CoBank has responded to its customers' changing business needs in recent years. Faced with increasing consumer demands, along with pressing regulatory, political, environmental and trade policy issues, CoBank's customers have required greater resources and capabilities to compete in the marketplace. As a major provider of financial products and services to rural America, CoBank has actively focused on anticipating its customers' changing needs and delivering the competitive advantages they require to succeed in their businesses.

"We are continually looking for ways to deliver more value and adapt to our customers' needs and to the marketplace," says Douglas D. Sims, CoBank's CEO. "Adaptability has been key to our customers' success and to CoBank's."

For example, CoBank, a federally chartered bank in the Farm Credit System (FCS), is part of a broad coalition of cooperatives and agricultural associations that support legislation to allow CoBank to finance a new generation of farmer-owned cooperatives. Increasingly, CoBank's cooperative customers are adjusting their corporate structures so they can access new sources of nonmember equity capital. Some of these new structures create eligibility issues for organizations which want to do business with CoBank.

"We believe these new cooperative structures can be especially useful for

value-added farmer-owned cooperatives in certain situations," Sims says. "This legislation will continue to allow the flow of capital to rural America. Access to capital is key to any growing and changing business. CoBank must have the same ability to adapt as its customers if the bank is going to succeed in today's business environment."

In an increasingly competitive environment that has produced fewer, but larger, cooperatives, building CoBank's financial capacity remains an ongoing priority. In November 2003, CoBank strengthened its capital position by



issuing \$200 million in perpetual preferred stock under favorable market conditions. This outside infusion of capital — CoBank's second in three years — further positions the bank to meet the growing needs of its customer-owners.

Building capacity extends beyond financial transactions, such as preferred stock issuance, to business expertise and people. To help the bank continue to fulfill all aspects of its mission of serving U.S. agriculture and rural America, CoBank has established complementary strategic partnerships and alliances that broaden CoBank's access to capital, products and services. Some of these partners are Farm Credit System banks and associations; others are well-known commercial banks or international correspondent banks around the globe. This network helps CoBank bring billions of dollars in loan capital to CoBank's customers, deliver cash management services to rural America, and finance \$200 million in ag exports sales monthly.

In addition, in early 2004, CoBank increased its ownership stake in Farm Credit Leasing Services Corporation

(FCL) from 82 percent to 100 percent. As a wholly owned subsidiary, FCL strengthens the bank's ability to deliver on its value proposition of bringing market-competitive leasing services to rural America. To reach such a wide market, FCL will partner with Farm Credit associations to ensure that the leasing needs of their customers are met.

In a post-Enron age shaped by the Sarbanes-Oxley Act, CoBank has furthered its long-standing commitment to good governance and transparent disclosure practices. A special restructuring committee of the bank's board of directors is developing recommendations to enhance CoBank's governance. One result is likely to be a reduction in size of CoBank's board, which now numbers 26 directors. The committee is also considering the need for additional outside or independent directors, and for increased attention to the qualifications of future board candidates.

For the past five years, CoBank shareholders have received an average of \$125 million per year in cash patronage as a result of their investment in the bank. "

"It's balancing the right combination of so many things," Sims emphasizes. "It's serving your customers' needs better than anyone else, employing prudent risk management practices, controlling expenses, improving business processes, strengthening your financial capacity, and maintaining the right strategic partnerships."

With \$31 billion in assets and \$2.8 billion in capital, CoBank has built a strong cooperative bank for rural America. But as CoBank's CEO notes, "The job is never done."

Contact information:
website: www.cobank.com, phone 1-800-547-8072; address: 5500 S. Quebec St., Greenwood Village, Colo. 80111. CEO: Douglas D. Sims; President and COO: Robert B. Engel; Board Chairman: J. Roy Orton, President, Orton Farms, Ripley, N.Y. ■

NCFC champions issues crucial to ag co-ops

Since 1929, the National Council of Farmer Cooperatives (NCFC) has been the national association representing America's farmer cooperatives. There are nearly 3,000 farmer cooperatives across the United States whose membership includes a majority of our nation's more than 2 million farmers.

NCFC ensures that farmer cooperatives have a strong and effective voice in addressing public policy issues at the national level. It synthesizes a wealth of information to keep members current on antitrust and tax legislation and other legal issues, as well as agriculture, trade, energy, transportation and environmental policy. It also tracks and analyzes economic trends.

A member-led committee system forms the basis for NCFC's policy direction. Among these committees are: The Legal, Tax and Accounting Committee — through its subcommittees and task forces, it provides NCFC with policy guidance in the areas of law, cooperative accounting and finance and tax policy. The Government and Public Affairs Committee — identifies the national public policy issues affecting farmer cooperative businesses and their members and develops, with NCFC staff, strategies for addressing these issues.

The Cooperative Education Committee — plans the director's education conference held in conjunction with the NCFC Annual Meeting, which gives the farmer directors of NCFC members the opportunity to come together and address issues of cooperative governance, board responsibilities and the changing nature of the food and fiber marketplace.

NCFC has a proven track record of effectively communicating, through its close working relationships, the interests of its members to Administration officials and members of Congress, including the Congressional Farmer Cooperative Caucus.



Agriculture Secretary Ann Veneman addresses an NCFC meeting in Washington. NCFC's primary mission is to make sure farmer co-ops have a strong voice at the national level on public policy issues. USDA Photo by Dan Campbell

Recent issues on which NCFC has taken a lead role include:

- **Access to equity capital** — As farmer cooperatives must compete in a rapidly changing marketplace, one of the greatest challenges faced by farmer cooperatives is access to the equity capital necessary to modernize, expand and take advantage of new market opportunities. NCFC strongly supported introduction of legislation in both the House and the Senate to eliminate the third layer of tax imposed on farmer cooperative dividends paid on capital stock under the Dividend Allocation Rule. This discriminatory tax structure (regular corporate dividends are taxed only twice) unfairly limits the ability of cooperatives to raise equity capital and reduces patronage paid to a cooperative's farmer members.
- **Addressing changes to cooperative laws** — A number of states have either changed or are planning to change their cooperative laws to allow outside investment in farmer cooperatives as a means of raising equity capital. Through its LTA Committee, NCFC has carefully monitored these developments, and is looking at how such changes may affect federal policies and programs. In particular, NCFC has been active in efforts to ensure that these

new generation cooperatives will continue to have access to a competitive source of credit from CoBank.

- **Strengthening USDA programs for cooperatives** — NCFC was instrumental in ensuring that farmer cooperatives have the ability to participate in USDA programs, including: the commodity purchase program, export programs, Value Added Producer Grants, 2002 Farm Bill conservation programs and the Business and Industry Loan program. NCFC continues to work to ensure sufficient funding for these programs and continued eligibility for farmer cooperatives.
- **Interaction with policy makers** — The annual NCFC Washington Conference brings farmer cooperative directors, CEOs and senior management to Washington help further the policy interests of farmer cooperatives. Attendees meet with top policy makers from Congress and the Administration to help put a farmer's face on cooperatives for these officials.

Contact Information: Web site: <http://www.ncfc.org>. Telephone: (202) 626-8700. Facsimile: (202) 737-6430. address: 50 F Street, N.W., Suite 900, Washington, DC 20001. President & CEO: Jean Marie Peltier; Board Chairman: John E. Gherty, President & CEO Land O' Lakes Inc. ■

NCBA helps co-ops compete in time of change

The National Cooperative Business Association (NCBA) is a national membership organization representing cooperatives of all types and in all industries. Its members operate in areas including agricultural supply and marketing, child-care, energy, financial services, health care, housing, insurance, telecommunications, purchasing and shared services, and food distribution and retailing.

Through its education, co-op development, public policy and international development programs, NCBA helps co-ops compete in a changing economic and political environment. It also provides a strong, unified voice for co-ops on Capitol Hill.

Founded in 1916, the National Cooperative Business Association was known as the Cooperative League of the USA until 1985. It was the first national organization for cooperatives. Although NCBA's name has changed over the years, its primary mission never has. For nearly 90 years it has been dedicated to developing, advancing and protecting cooperatives.

In the United States, NCBA has played a key role in creating many new self-help organizations to support the cooperative sector. It helped form North American Students of Cooperation in 1946, the National Association of Housing Cooperatives in 1950, Parent Cooperative Preschools International in 1960, Cooperative Business International in 1984, and both Cooperation Works! and the Cooperative Grocers Information Network in 1999. In the 1970s, NCBA lobbied Congress to create the federally chartered National Cooperative Bank.

In the 1990s, NCBA played a leading role in convincing Congress to establish the USDA's Rural Cooperative Development Grants program as a new source of funding for cooperatives in rural areas. The program has since provided more than \$35 million

to a network of centers nationwide that help develop cooperatives that enhance farmers' income and boost rural economies. Today, NCBA remains a strong advocate for increased funding for the program.

In 2000, NCBA brought co-ops to the cutting edge of technology by winning approval for a new top-level Internet domain exclusively for cooperatives. The new domain, .coop, joins .com and .org at the end of web and e-mail addresses. The .coop registry, launched in January 2002, has registered more than 8,000 .coop Internet addresses.

Over the past half century, NCBA has also played a prominent role in making cooperatives a key component of international development policy. In 1944, it formed the Freedom Fund to help cooperatives recover in war-torn Europe. The following year, it



Richard Dines, NCBA's director of co-op development, testifies before the House Financial Services Subcommittee. Photo by Robert Visser/Photopress Washington

played an integral role in creating the Cooperative for American Remittances to Europe, which provided economic relief to war-torn Europe. Today we all know this organization as CARE.

Since the 1950s, in partnership with the U.S. Agency for International Development, NCBA's CLUSA International Program has managed more than 200 long-term international development projects in 53 countries.

Today, NCBA is using its development expertise to help troubled inner cities. Its new Urban Cooperative

NCBA
National Cooperative Business Association

Development Initiative seeks to expand the role of cooperatives in creating economic opportunity in inner cities, both through self-help and legislative solutions.

As it looks to the future, NCBA continues to address the challenges facing cooperatives and to identify solutions that will help co-ops overcome those challenges. Its current agenda includes countering efforts to limit or repeal cooperative tax exemptions and studying the conversion of co-ops to other business structures. In addition, in recent months, NCBA has organized opposition to a ruling by a national accounting standards board that threatens to throw the balance

sheets of thousands of co-ops into chaos by reclassifying member equity as debt.

With these and other issues in mind, in early 2004 the NCBA board approved formation of a Cooperative Tax and Finance Council that will focus on key cross-sector legal, financial and tax issues.

Contact information: website: www.ncba.coop; Phone: (202) 638-6222. Address: 1401 New York Ave. NW, Suite 1100, Washington, D.C. 20005. President and CEO: Paul Hazen; Board Chair: Ann Hoyt. ■

NMPF tackles tough issues for dairy co-ops

The National Milk Producers Federation (NMPF) represents dairy marketing cooperatives throughout the United States and is the “granddad” of commodity organizations, formed in 1916. Soon after formation, NMPF formalized and focused efforts of several dairy leaders to secure passage of the Capper-Volstead Act, the “Magna Carta” of farmer cooperatives. This essential legislation provides a limited exemption from anti-trust laws, allowing farmers and associations of farmers to lawfully act together to market their commodities.

NMPF continues to provide the forum for dairy-farmer involvement in the formation of national public policy. The federation, headquartered in Arlington, Va., provides dairy farmers and their cooperatives an organization to develop policy positions and long-range objectives. These positions are represented to Congress, executive agencies and regulatory bodies affecting the dairy industry.

NMPF tries to maintain and improve the economic well-being of dairy farmers and their cooperatives and to assure consumers an adequate supply of wholesome milk and dairy products. A majority of NMPF’s voting delegates, board of directors and executive committee

members are active dairy farmers.

Federation activities focus on legislative and regulatory actions concerning federal milk marketing orders, the dairy price support program, product standards and quality programs, international trade, child nutrition programs, animal health, and food safety.

A few of NMPF’s major accomplishments in the past year include:

- Creating a unique new milk supply-and-demand balancing program, Cooperatives Working Together, to help improve low producer prices;
- Working to strengthen the dairy price support program by proposing changes that will prevent the farm-level price from dropping below \$9.90/cwt.;
- Gathering more support for legislation restricting the imports of Milk Protein Concentrate (MPC) and Casein;
- Developing a new dairy proteins program to encourage the production of a domestic supply of Milk Protein Concentrate;
- Helping to ensure that mad cow disease in the United States does not adversely affect dairy operators;

- Seeking the best-possible treatment of the U.S. dairy production sector as the White House negotiates trade deals within the World Trade Organization, Australia, Chile and Central America.

Numerous information services of the federation are designed to help interpret the dairy industry to government leaders, the media and various public audiences, plus keep dairy farmers informed of federal actions affecting them. A biweekly newsletter, “News for Dairy Co-ops,” reports on congressional and regulatory developments and federal administrative action. An annual booklet, “Dairy Producer Highlights,” contains a wide variety of data about milk production, purchases, utilization and related statistics.

“The Regulatory Register” and “Import Watch” are regular newsletters that cover key areas of interest to the dairy industry.

Contact information: website: www.nmpf.org; phone: (703) 243-6111; address: 2101 Wilson Boulevard, Suite 400, Arlington, Va. 22201. President and CEO: Jerry Kozak. Board Chairman: Charles Beckendorf (DFA).



NSAC: Making sure co-op numbers add up right

The National Society of Accountants for Cooperatives (NSAC) is a professional society of 2,000 accountants, attorneys, financial officers, bankers and others actively involved in the financial planning and management of cooperative businesses. NSAC strives to enhance

the professional performance of its members in their service to cooperatives by providing information, education and training on issues affecting cooperative management, accounting, taxation and finance. NSAC acts as a technical representative for cooperatives in formulating accounting principles and auditing standards.

Since its formation in 1936, NSAC has sponsored an annual meeting and tax seminar. The annual meeting provides a forum for addresses by, and discussions with, recognized experts in accounting, taxation, finance, management, and government. The tax seminar features concurrent sessions for varying interests and experience levels.

NAHC advocates for co-op housing nationally

The National Association of Housing Cooperatives (NAHC) helps low- and moderate-income families govern, operate and preserve affordable cooperative housing communities for themselves and future residents. Over 1.2 million families in 44 states benefit from cooperative homeownership.

NAHC is the national advocate for affordable housing development and preservation through the cooperative form of ownership. It provides extensive training to boards of directors of housing cooperatives to make them more effective in managing their communities and providing service to residents. NAHC also trains on-site management personnel, who represent the first contact in providing service and attracting new residents.

NAHC works with other non-profit groups in sponsoring the creation of new cooperatives for low- and moderate-income families and senior citizens.

In rural areas, housing cooperatives can be financed with the USDA Rural Development's Section 515 program or the U.S. Department of Housing and Urban Development's Section 213 program. Manufactured-home parks can be developed as cooperatives under

HUD's Section 207 mortgage insurance program.

In 2003, NAHC successfully persuaded Congress to increase the HUD mortgage limit for manufactured home co-op parks from \$9,000 to \$17,000.



Residents of the Meredith Center Cooperative — New Hampshire's first manufactured housing park co-op — gather for a "family" photo. Photos courtesy New Hampshire Community Loan Fund

President Bush signed the increase into law in December 2003.

Many NAHC member cooperatives are coming to the end of their original HUD-insured mortgages. NAHC is creating new educational workshops and publications to help cooperatives

through that transition, addressing refinancing and rehabilitation needs, adopting policies to replace HUD regulations, and deciding whether to retain sales price or income restrictions.

The aging of cooperative leadership creates serious governance challenges, and bad governance is one of the three biggest threats to co-op survival. NAHC recently adopted a code of ethics for co-op board members and appointed a committee to develop a series of workshops on excellence in governance.

NAHC is a member agency in the Combined Federal Campaign through the Human and Civil Rights Charities of America. NAHC is also an eligible recipient in the United Co-op Appeal workplace giving campaign and the United Way of the National Capital Area.

Contact Information: website: www.coophousing.org; phone: (202) 737-0797; address:

1707 H St., NW, Suite 201, Washington, D.C. 20006. President: Bill Magee, Noble Square Cooperative, Chicago, Ill.; Board Chairman: Barbara Meskunas, San Francisco, Calif. Executive Director: Douglas Kleine. ■

Each of NSAC's 12 chapters sponsor an annual technical session and tax seminar. All the programs offer continuing professional education credits to participants, as do the NSAC Audit and Accounting (A&A) Seminars. The basic course targets accountants and accounting employees of cooperatives and public accounting firms who have limited experience in the field. The

advanced course was designed for the experienced cooperative accountant.

NSAC publishes a quarterly magazine, *The Cooperative Accountant*, which furnishes members with timely information on accounting, tax and miscellaneous financial and economic topics about co-ops and their patrons.

NSAC is dedicated to ongoing research, seeking solutions to problems

unique to cooperatives. NSAC goals and policies are established by a national board of directors, which meets twice a year. Its five-member executive committee is authorized to act on its behalf between meetings.

Contact information: NSAC is managed by Advanced Management Concepts, 136 South Keowee St., Dayton, Ohio, 45402. (937) 222-5794. ■

Farm Credit Council promotes lending system dedicated to improved quality of farm life

The Farm Credit Council (FCC), based in Washington, D.C., is the national trade association of the Farm Credit

System and represents the system's legislative and regulatory interests, as well as providing a wide range of business services to Farm Credit institutions. The Farm Credit System's mission is to maintain and improve the quality of life in rural America and on the farm, through constant commitment to competitive lending, expert financial services and advice, and a feeling of partnership with our customers.

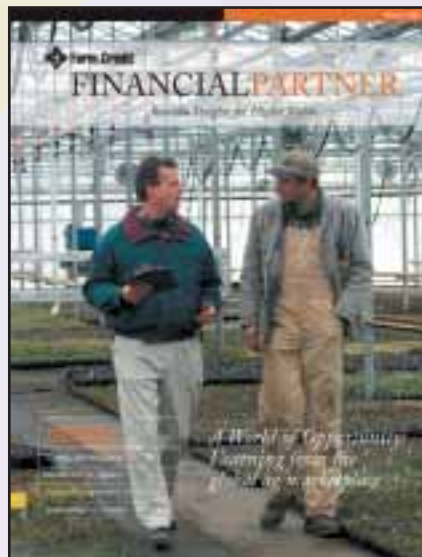
Council membership is comprised of five district Farm Credit Councils and five Farm Credit banks, whose membership in turn, comes from nearly 100 direct lending associations across the country. The cooperative associations and banks in the Farm Credit System are owned by the member-borrowers. Together, they are the leading lender to agricultural producers and rural businesses and communities. Through the national network of lending institutions, the Farm Credit System:

- Provides more than \$93 billion in loans and manages over \$116 billion of total assets;
- With more than \$18.9 billion in capital, Farm Credit has the strength to ensure that agricultural producers and others in rural America have a constant source of competitively priced credit in good times and bad;
- As a customer-owned organization, Farm Credit returned more than \$365 million in cash distributions and patronage dividends to our customer-owners in 2003.
- Knowing the difficulties faced by young, beginning and small farmers, Farm Credit takes seriously its obligation to assist the next generation of agriculturists. In 2003, the System

had \$11.5 billion in loans benefiting farmers age 35 or younger; \$16.9 billion in loans that benefit beginning producers who have 10 years experience or less; and \$28.6 billion in loans to small producers with less than \$250,000 in annual gross sales of agricultural products.

- With five banks, nearly 100 lending institutions and more than 1,000 branch locations, Farm Credit is in the communities and areas of our more than 450,000 customer-owners.

The Farm Credit Council was established in 1983 to provide an effective voice with the U.S. Congress and government agencies on farm credit issues. The structure for developing positions on legislative issues is provided by the district councils. The process begins with the farmer-directors of the member organizations.



The winter issue of Financial Partner magazine is a product of Farm Credit Financial Partners Inc. (FPI), Agawam, Mass., and the four Northeast Farm Credit Associations. FPI provides Farm Credit Associations nationwide with customer service for information technology, operations, human resources, legal services, marketing, communications and training.



The Farm Credit Council

The Farm Credit Council is governed by a 23-member board that implements the Council's public policy positions. The current board chairman is M. Wayne Lambertson, a poultry and crop producer from Pocomoke City, Md. Under the direction of the board, Kenneth E. Auer, President and CEO, coordinates and directs the daily affairs of the Council, carried out through its Washington-based staff. Council funding comes from dues assessed to its member organizations.

The Council's mission is to enhance the political effectiveness of the membership and their member institutions, and in doing so, the Council centers its attention on legislative, governmental and regulatory issues that affect agricultural credit. The Council staff maintains close liaison with government agencies such as the Farm Credit Administration, the U.S. Department of Agriculture and with Farm Credit System standing committees, among others.

As a regular part of its operation, the Council serves as a conduit of information from Washington to its membership, and serves to inform Congress and government agencies on the views of its members.

Contact information: website: www.fccouncil.com; phone: (202) 879-0854; address: 50 F Street, NW, Suite 900, Washington, D.C. 20001. President and CEO: Kenneth E. Auer; Chairman: M. Wayne Lambertson. ■

CFC: rural electric co-ops' own financial powerhouse

The National Rural Utilities Cooperative Finance Corporation (CFC) is a privately owned, non-governmental organization that provides low-cost capital and state-of-the-art financial products and services to its owners, the more than 1,000 electric cooperatives across the United States. CFC is the primary private market lender to rural electric systems, which serve more than 32 million end-users of electricity.

CFC's owners consist of electric cooperative distribution systems, power supply systems, statewide associations and service organizations. It serves as the sole source of financing for more than 200 electric cooperatives and supplements the credit programs of the USDA Rural Development's utilities programs.

CFC was launched in the mid-1960s, when the electric cooperative program began to seek alternative funding sources to supplement federal financing of cooperatives' growing capital needs. In 1967, the National Rural Electric Cooperative Association (NRECA) proposed the creation of a nonprofit financing institution that would be cooperatively owned by the electric cooperatives. NRECA members approved this plan, and on April 10, 1969, CFC was incorporated.

As a financial powerhouse with more than \$21 billion in assets and

some \$34 billion in total credit commitments, CFC offers rural electric systems the financing they need to ensure a dependable source of energy for rural consumers.

Guided by a 22-member board of directors representing the managers and directors of its member cooperatives, CFC operates from its corporate headquarters in Herndon, Va., with more than 200 employees, 15 of whom are regional representatives located throughout the United States. By



CFC — the Herndon, Va., headquarters of which is seen here — is the primary private market lender to rural electric systems serving more than 32 million consumers. Photo courtesy CFC

maintaining high credit standards and credit ratings, CFC provides its owners with competitively priced financing and investment opportunities through its role as a conduit to the worldwide private capital markets.

CFC manages several related organizations. Rural Telephone Finance Cooperative (RTFC) is a member-owned, nonprofit finance cooperative



created in 1987 solely to serve the needs of the rural telecommunications industry. RTFC has carried out an essential role in rural telephone financing, providing needed funds for system upgrades, new technology, acquisitions, and an array of service enhancements.

National Cooperative Services Corporation (NCSC) is a privately funded, member-owned, taxable cooperative that began operations in 1981. NCSC provides electric cooperatives and their affiliates with specialized financing and related financial services. NCSC offers a loan program that provides financing to for-profit and nonprofit associates affiliated with CFC owners, generally for rural economic development initiatives.

CFC works closely with NRECA, the National Rural Telecommunications Cooperative, USDA Rural Development, Federated

Rural Electric Insurance Exchange, and similar organizations to ensure that electric cooperatives have the tools they need to prosper in a changing marketplace.

Contact information: website: www.nrucfc.coop ; phone: (703) 709-6700; address: 2201 Cooperative Way, Herndon, Va., 20171. CEO: Sheldon Petersen. ■

NRECA programs benefit 865 co-ops, 37 million consumers nationwide

National Rural Electric Cooperative Association (NRECA), located in Arlington, Va., represents the national interests of the nation's more than 900 cooperative electric utilities and the consumers they serve. Organized in 1942, NRECA provides national leadership and member assistance through legislative representation before Congress and the executive branch. It also provides: representation in legal and regulatory proceedings affecting electric service and the environment; communication services; education and consulting for cooperative directors, managers and employees; energy, environmental and information research and technology; training and conferences; and health insurance, retirement benefits and financial services. Programs are funded through dues and fees.

NRECA's member cooperatives serve 37 million people in 47 states and 80 percent of the nation's counties. Most of the 865 distribution systems are private, consumer-owned cooperatives, although some are public power districts. NRECA membership includes other organizations formed by these local utilities: generation and transmission cooperatives (65); statewide and regional trade and service associations; supply and manufacturing cooperatives; data processing cooperatives; and employee credit unions. Associate membership is open to equipment manufacturers and distributors, wholesalers, consultants and other entities that do business with electric cooperatives.

Two major publications inform and educate members, decisionmakers and the interested public: *RE Magazine*, published monthly, and *Electric Co-op Today*, a weekly newspaper that reports on activities and issues important to electric cooperatives and NRECA.

NRECA's annual meeting is one of the largest national gatherings of cooperative and rural leaders and consumers, often attracting more than 12,000 directors, managers, employees and cooperative member-owners. Delegates consider and act on policy resolutions that guide NRECA's issue and organizational agenda, hear addresses by key public figures and attend panel sessions on major issues affecting cooperatives, electric utilities



National Rural Electric Cooperative Association

A Touchstone Energy® Cooperative 



Touchstone Energy Cooperatives teach middle-school students about the science, history, and value of electricity through the "Get Charged!" program, in cooperation with the Discovery Channel School.
Photo courtesy NRECA

and their consumer-owners. Concurrently, the TechAdvantage Conference and Expo commands more than 50,000 square feet of exhibit space, showcasing more than 250 leading-edge suppliers of power production, information technology, power delivery, and customer management products and services.

NRECA and its member cooperatives administer a program of technical advice and assistance in developing countries around the world. NRECA International Ltd. has helped more than 50 million people in the world's poorest countries achieve the economic and social benefits of reliable, affordable power by adapting the successful model of locally owned electric cooperatives. Programs are designed with close attention to local demand conditions and use the most appropriate power generation methods, including distributed generation and renewable energy systems. The NRECA International Foundation, funded by voluntary contributions, coordinates the Sister Cooperatives Program and directs the collection and shipping of donated equipment and materials to support overseas projects.

As new demographic and economic patterns emerge, electric cooperatives' operations evolve and their needs become more diverse. NRECA's legislative, legal and regulatory agenda has become more diverse, embracing hundreds of issues affecting electric utility generation, transmission and distribution; energy policy and the environment; finance and tax matters; telecommunications; jobs creation; federal disaster assistance; the cooperative business model and governance; and consumer protections.

Efforts in the last two decades to forge a national energy policy through legislation in Congress and sweeping regulatory initiatives at the Federal Energy Regulatory Commission (FERC) have the potential to alter rad-

ically the relationship between electric utilities and their consumers. NRECA's legislative and regulatory advocacy efforts focus on controlling costs for consumers, protecting them against market power abuse and anti-competitive behavior, and on preserving member co-ops' governance structure by keeping operational and policy decisions in the co-op boardroom.

One of the toughest challenges electric cooperatives face as employers is the ever-increasing cost of healthcare coverage for their employees and retirees. The association's legislative efforts in this area focus on employer flexibility, access to quality programs and providers and equity for rural Americans.

Education, training and leadership programs have evolved to focus attention on the increasing level of public and policymaker scrutiny of American business resulting from the latest wave of illegal activity in the corporate world. Courses cover director fiduciary responsibility and conduct; cooperative business principles and ethics; effective working relationships between directors, CEOs, attorneys and auditors; development of principle-centered policies; and strategic planning.

The Touchstone Energy® Cooperatives brand supports the communication and marketing efforts of electric cooperatives. Award-winning materials developed for member sys-

tems help unify advertising, marketing and community relations activities and provide a consistent image of electric cooperatives nationwide.

NRECA also assists its member systems through community and economic development support, including a wide array of resources for financing, planning, and partnering through public and private organizations across the country.

Contact Information: website: <http://www.nreca.coop>; Telephone: 703-907-5500; Address: 4301 Wilson Blvd., Arlington, VA 22203. President: David J. Cowan, Gettysburg, Pa.; Chief Executive Officer: Glenn English. ■

Federation of Southern Co-ops:

Three decades of sustaining rural Southern communities, saving black-owned farmland

Since 1967, the Federation of Southern Cooperatives/Land Assistance Fund (Federation) has successfully provided self-help economic opportunities and hope for many low-income communities across the South. The Federation is, in fact, the only organization in the Southeast United States that has as its primary objectives the retention of black-owned land and the use of cooperatives for land-based economic development.

"Cooperatives are businesses that are locally controlled and build wealth through the participation of people," says Federation Executive Director Ralph Paige. "They are an ideal way of helping poor folks advance their own interests and provide for their own destinies."

In 1984 the Emergency Land Fund, the pioneer organization in black land retention, merged with the Federation.



James Nesmith says there simply aren't any better organic tomatoes than those grown in South Carolina by his dad, Theodore Nesmith, a member of Peoples Cooperative. Photo by D.J. Johnson, courtesy S.C. Extension Service

This led to a much stronger and more comprehensive program that retains, acquires, manages and develops land and other resources using cooperative principles.

Membership includes 12,000 black farm families, who individually own small acreage, but collectively own more than a half million acres of land and work through 35 agricultural cooperatives to purchase supplies, gain technical assistance and market their crops. It also includes 15,000 small savers in 16 community development credit unions that have accumulated \$24 million in shares and made \$113 million in loans since inception.

The Federation owns and operates the Rural Training and Research Center (RTRC) on 850 acres of land near Epes, Ala., where members learn farming skills, rural business development practices, leadership skills and ways of working together in cooperatives and credit unions.

The programs of the Federation are comprehensive. They cover agriculture, credit, housing, markets, land retention and advocacy. While its programs are implemented in its offices in

Mississippi, Alabama, Georgia and South Carolina, the RTRC is the hub of the Federation's outreach and training efforts. Primary programs include:

• **Small Farm and Sustainable**

Agriculture — The Federation is committed to providing outreach and technical assistance to black family farmers as integral to its overall thrust. One of the avenues of outreach to farmers was the 1990 Minority Farmers Act (Section 2501 of the Farm Bill). As an initiative of the Federation, Section 2501 addresses the need for USDA to offer more services to limited-resource minority farmers by offering grants to community-based organizations and landgrant colleges to offer outreach services. The primary goal of the sustainable agriculture



The Federation is helping Eugene Hall and other farmers in Sumter County, Ala., form a goat producers' cooperative. Photo by Jim Alexander

program is to help farmers develop successful family farm businesses through: financial analysis of farms; technical assistance in setting indi-

vidual farm goals; technical assistance in farm management; assistance in debt restructuring; and alternative crop analysis.

Rural Cooperative Development Centers

ARKANSAS

Arkansas Rural Enterprise Center
Donna Uptagrafft, Program Associate
38 Winrock Drive
Morrilton, AR 72110-9537
Telephone: (501) 727-5435
Fax: (501) 727-5242
E-Mail: Dju@winrock.org
Home Page: www.winrock.org

COLORADO

Rocky Mountain Farmers' Union
Cooperative Development Center
Bob Mailander, Director
5655 S. Yosemite St., Suite 400
Greenwood Village, Co 80111
Telephone: (303) 752-5800
FAX: (303) 752-5810
E-Mail: center.director@co-ops.org
Home Page: www.co-ops.org

KENTUCKY

Kentucky Cooperative
Development Center
Larry Snell, Executive Director
411 Ring Road
Elizabethtown, KY 42701
Telephone: (270)763-8258
FAX: (270) 763-9927

E-Mail: lsnell@kccd.info
Home Page: www.kccd.org

MASSACHUSETTS

Cooperative Life/Cooperative
Development Institute
Lynn Benander, CEO
277 Federal Street
Greenfield, MA 01301
Telephone: (413) 774-7599
FAX: (413) 773-3948
E-Mail: info@cooplife.coop
Home Page: www.cooplifecoop.com

MISSISSIPPI

Mississippi Center for
Cooperative Development
Melbah Smith, Director
233 E. Hamilton Street
Jackson, MS 39202
Telephone: (601) 354-2750
FAX: (601) 354-2777
E-Mail: mscenter@mindspring.com
Home Page:
www.supermarketcoop.com/mac.htm

MISSOURI

Missouri Farmers Union
Family Farm Opportunity Center
Russ Kremer, President
325 Jefferson Street
Jefferson City, MO 65101
Telephone: (573) 659-4787
FAX: (573) 659-4787
E-Mail:
rkremer@missourifarmersunion.org
Home Page:
www.missourifarmersunion.org

MISSOURI

Missouri Incutech Foundation
Russell C. Lindenlaub, Executive
Director
800 W. 14th Street, Suite 111
Rolla, MO 65401
(573) 364-8570
www.missourienterprise.org

- **Land Assistance** — Black rural land ownership has declined drastically over the last century, from 16 to 19 million acres owned in 1910 to only 7.8 million acres in 1997. And the decline continues. To help retain and protect rural land ownership, the Land Assistance Fund Program focuses on: legal assistance; education; tax sales; wills and estate planning; adverse possession; eminent domain and condemnation; mineral rights; and financial assistance.
- **Cooperative Marketing** — The average size of an African American farm is just over 100 acres. The Federation encourages alternative crop production that is more suitable to smaller farm size to help ensure sustainability of the farm. The focus of our marketing program is: production/marketing assessments; coopera-

tive development; value-added projects; rural/urban marketing; and emerging market opportunities.

- **Credit Unions** — The focus of the credit union department is to provide technical assistance and training to individuals from low-income rural communities who have determined a need for low-cost, community-controlled consumer credit. Technical assistance is offered in the following areas: chartering; computerizing; non-member deposits; business plans; youth credit unions; auditing; board training; and committee training.
- **Housing** — The Federation has been instrumental in building quality affordable housing and manages its housing programs through the Panola Land Buyers Association. The housing department focuses on

three major areas: multi-family housing development; multi-family housing management, and technical assistance for single family housing

- **Advocacy and Coalition Building** — To ensure appropriate and relevant program services for rural communities, the Federation works in coalition with other organizations and advocates for: rural community-based economic development; affordable rural housing; farmers' rights; fair trade policies; cooperative and credit union development; renewable energy strategies; environmental policy.

Contact Information:

www.federation.coop; (404) 765-0991;
2769 Church St.,
East Point, GA 30344;
Executive Director: Ralph Paige. ■

MONTANA

Lake County Development Center
Billie J. Lee, Executive Director
319 Main St.
Ronan, MT 59814
Telephone: (406) 676-5901
E-Mail: lccd@ronan.net
Home Page: www.lakecountycdc.org

NEBRASKA

Nebraska Cooperative
Development Center
Dr. Lynn H. Lutgen, Director
217 H.C. Filley Hall
Lincoln, NE 68583-0922
Telephone: (402) 472-3406
E-Mail: llutgen1@unl.edu
Home Page: ncdc.unl.edu

NORTH DAKOTA

Dakotas Cooperative Business
Development Center
Bill Patrie, Rural
Development Director
3201 Nygren Drive, NW
PO Box 727
Mandan, ND 58554-0727
Telephone: (701) 663-6501
FAX: (701) 663-3745
E-Mail: bpatrie@ndarec.com

NORTHWEST

Northwest Cooperative
Development Center
Diane Gasaway, Project Manager
1063 Capitol Way South, Suite 214
Olympia, WA 98501
Telephone: (360) 943-4241
FAX: (360) 570-8415
E-Mail: nwcde@qwest.net
Home Page: www.nwcde.coop

OHIO

Ohio Cooperative
Development Center
John Ellerman, Coordinator
1864 Shyville Road
Piketon, OH 45661
Telephone: (740) 289-2071
FAX: (740) 289-4591
E-Mail: ellerman.5@osu.edu
Home Page:
www.aede.osu.edu

PENNSYLVANIA

Keystone Development Center
860 Ridge Road
Carlisle, PA 17013
Telephone: (717) 243-2765
FAX: (484) 214-0115
E-Mail: info@keystonedc.org
Home Page: www.kdc.coop

SOUTH CAROLINA

South Carolina Center for
Cooperative Business Development
Dr. Emmanuel N. Onunkwo, Director
PO Box 7568
Orangeburg, SC 29117
Telephone: (803) 533-3682
FAX: (803) 533-3639
E-Mail: emonunkwo@hotmail.com

SOUTH DAKOTA

Value-Added Agricultural Center
Dallas Tonsager, Executive Director
303 Illinois Avenue SW
Huron, SD 57350
Telephone: (605) 352-9177
FAX: (605) 352-9179
E-Mail: tonsager@eastriver.coop
Home Page: www.sdvalueadded.com

WISCONSIN

Cooperative Development Services
Kevin Edberg, Executive Director
131 West Wilson Street, Suite #400
Madison, WI 53703
Telephone: (608) 258-4396
FAX: (608) 258-4394
E-Mail:
cds@co-opdevelopmentservices.com
Home Page: www.cdsus.coop

UW Center for Co-ops: Working together...then and now

By **Ashwini Rao, Associate
Outreach Specialist
UW Center for Cooperatives**

The University of Wisconsin Center for Cooperatives (UWCC) was established in 1962 to provide co-op training, assistance and education programs to international and domestic cooperatives, and to conduct research directed at all aspects of a cooperative business. Decades later, the Center continues to promote and research cooperative action as a means of meeting the economic and social needs of people.

So what has changed?

“While the Center’s core mission has not changed, the focus of our work has definitely shifted,” explains Bob Cropp, professor emeritus and former director of the Center. Adds Interim

Director Anne Reynolds, “We are doing more work with a wider variety of co-ops,” a reference to the broad client base that the Center interacts with, which has expanded over the past few years to now include forestry, utilities, health care, housing, food and worker co-ops, among others. For others at the Center, the shift has been in gaining a “deeper understanding of the issues” in our society and “achieving greater impact through a broader range of contacts” within our community.

The research arm of the Center remains as robust as ever. Assistant Professor and Senior Faculty Associate Kim Zeuli joined the Center in 2001 to strengthen research in the areas of agricultural co-ops and co-ops in rural communities. “There has always been a lot of emphasis on research, and it continues to remain a strong and critical part of the organization,” says Zeuli.



The shift in focus, however, has affected much of what the Center does on a regular basis. The educational workshops that UWCC organizes, in partnership with the Wisconsin Federation of Cooperatives and the Minnesota Association of Cooperatives, have seen a progression toward topics on joint ventures, mergers/acquisitions, alternative co-op structures and resulting financial implications.

KSU, NDSU Centers researching co-op issues

In addition to the University of Wisconsin Center for Cooperatives, there are two other U.S. university-based cooperative research and education centers.

Arthur Capper Cooperative Center (ACCC) — Located at Kansas State University, ACCC serves as a premier center of excellence in cooperative education. Its focus is on research, business development, finance, leadership, strategic management and marketing for cooperatives. Its primary objective is to increase understanding of the cooperative form of business. It conducts teaching, research and educational extension programs to help students and cooperatives understand and improve decision making in cooperatives, cooperative performance, customer service to patrons of cooperatives, cooperative

industry standards and the ability of cooperatives to compete with other businesses in the marketplace.

Contact information: www.agecon.ksu.edu.accc/; phone: (785) 532-1508; address: ACCC, Dept. of Ag Economics, 305 Waters Hall, K.S.U., Manhattan, Kan. 66506. Director: David G. Barton

Quentin Burdick Center for Cooperatives (QBCC) — Located at North Dakota State University, QBCC functions in four primary areas: (1) education, including academic and executive; through academic education, QBCC seeks “to create a pool of university graduates who thoroughly understand cooperative philosophy, principles and management strategies.” It is also involved in providing in-service, executive-level training for directors and management; (2)

research — academic research topics tend to be general, with results published and accessible to the public; specific research is usually undertaken for a single cooperative, with results confidential to the client; (3) outreach/communication — by spreading the word about cooperative business systems, QBCC fulfills the traditional role of a land grant university; and (4) coordination/cooperation — QBCC seeks to coordinate its activities with other organizations and agencies in the region. In some areas it takes on a leadership role, while in others it plays a supportive role.

Contact information: website: www.ag.ndsu.nodak.edu/qbcc; phone: (701) 231-1016. address: QBCC, 301 Morill Hall, N.D. State University, Fargo, N.D. 58105. Director: Dr. William C. Nelson. ■

“The focus on such topics reflects the changing needs of our clients,” says Cropp. “As University of Wisconsin-Extension state specialists, we need to be flexible and be able to respond to their [clients’] needs.” Annual conferences such as the Farmer Cooperatives Conference, started a few years ago by the Center, stimulate critical thinking on how cooperatives need to address major issues as well as engage researchers and co-op leaders in a dialogue about best practices and future trends impacting agricultural cooperatives.

The response to changing trends is, perhaps, more clearly reflected in the Center’s initiatives to extend its services

beyond the university. A website (www.wisc.edu/uwcc) offering extensive information and resource links has resulted in increased visibility for the Center, expanding its reach beyond the physical borders of the state of Wisconsin. The availability of funds and a heightened interest in rural development start-ups and cooperatives have also helped position the Center as a resource for cooperative development in the areas of agriculture, housing, healthcare delivery and emerging markets, such as organic foods.

The ever-increasing demand for value-added agriculture, along with the continuing strength of the co-op

movement and new opportunities in cooperative development ensures that the Center’s efforts to promote co-op education and research will continue for some time to come.

“The Center plans to continue to partner with co-op leaders, educators and researchers, and use these partnerships to enhance the work that we do for co-ops,” says Reynolds.

Contact information: website: www.wisc.edu/uwcc; phone: (608) 262-3382; address: 230 Taylor Hall, 427 Lorch St., Madison, Wis. 53706. Officers: Interim Director: Anne Reynolds; Senior Faculty Associate/Center for Co-ops: Kim Zeuli. ■

CCA: Reflecting change, setting the pace

50 years of promoting innovative co-op communications

Veteran cooperative communicator Ann Mosby says the decision to stop publishing *CCA News* in printed form was “painful progress.”

The GROWMARK communications director led the Cooperative Communicators Association (CCA) committee that recommended the group move to an electronic newsletter rather than the traditional black-and-white paper version. The decision mirrors those Mosby and her peers make at cooperatives everyday. It also highlights how changes within the business world, in general, and cooperatives, in particular, have a rippling effect.

“CCA provides a testing ground for innovative communications strategies and tactics,” says CCA President Sheryl Doering Meshke, Associated Milk Producers Inc. communications director in New Ulm, Minn. “Our peer network enables communicators to speed the learning curve.”

Formed in 1954 after Minnesota and Wisconsin editors of cooperative publications got together to share ideas and learn how to better perform their

jobs, the organization now counts membership across the United States, Canada and England. CCA is committed to keeping pace — or a few steps ahead — of the changing communications needs of the cooperative community. Members’ duties include writing, editing, photography, videography, design and all the other skills needed to help cooperatives tell their story.

The steps CCA took to determine what to do about its member newsletter within the context of consolidating cooperatives and skyrocketing printing and postage costs provide insight for cooperative communicators faced with similar decisions at their own organizations.

The volunteer-driven CCA conducted a readership survey, reviewed the results by committee and acted on a recommendation to change the way the newsletter was delivered. “Given all this, I had to admit that leveraging available mechanisms to communicate with members made real sense,” Mosby says. “The change offered interactivity, it would save expense, it would provide more timely delivery and it meant that technical issues could

be resolved without members having to struggle with them.”

Mosby’s involvement exemplifies how members learn new skills from one another and exercise their know-how on behalf of the association, as well as their cooperative employer.

“The association work gives CCA members a forum for trying innovative ideas where the stakes are not as high as in their ‘real jobs,’” says CCA Executive Director Susie Bullock from the organization’s headquarters in Lubbock, Texas. Once tried, the communicator can adapt those skills or knowledge to the particular challenges faced in real-life cooperative settings.

CCA’s successful ideas and programs are replicated in its members’ daily work — from the planning stages to their implementation. Those stages, in



themselves, reflect how sophisticated communication is today. One doesn't just speak and expect to be heard. Rather, the messenger speaks in many different venues and different ways, depending on the audience, yet with the same key messages.

Though communication methods change, organizations such as CCA still help members hold true to the cooperative principle on education, training and information.

"CCA operates much like a growing and changing cooperative, striving to effectively manage and deliver member resources," Meshke says. "We're a microcosm of the cooperative community."

Mosby agrees, saying recommending an electronic newsletter forced her to leave the "comfort zone" behind for CCA and made her think about her

own cooperative's communication delivery systems. "With that, this laggard became an adopter and an active supporter of the process to improve CCA communications," she says.

The change is indicative of the group's – and their cooperative's – changing needs. As CCA goes, so goes cooperatives – or maybe it's the reverse.

CCA members gather for an annual Co-op Communications Institute each June for three days of seminars and discussion designed to improve the skills of members in the full spectrum of communications. This year the institute will be held Jun 12-15 in Louisville, Ky. The 2005 institute will be held in Denver.

Contact information: website: www.com-communicators.coop; phone: (806) 777-6489; address: 5307 43rd St., Lubbock, Texas 79414-1315. Executive Director: Susie Bullock; President: Sheryl Meshke (AMPI). ■



CCA board member Leta Mach (right) and Jamie Gasper of the Ag Communicators of Tomorrow participate in a communications exercise during a recent CCA Institute. USDA photo by Dan Campbell

Association of Cooperative Educators

Cross-border membership and collaboration brings growth

The Association of Cooperative Educators (ACE) has a big vision: to strengthen cooperatives and the cooperative movement by promoting innovative educational responses to social and economic changes.

From the outside, ACE appears to be an unassuming organization. Its part-time executive administrator works from her home in Arlington, Va. The Cooperative Foundation provides many of the organization's support services out of the CHS Inc. offices in Inver Grove Heights, Minn. Its website is hosted by the University of Wisconsin Center for Cooperatives in Madison, Wis.

At a time when cooperatives have been cutting back on education staff, ACE's membership has been growing.

"ACE gives a lot of bang for the buck," says Leslie Mead, ACE executive administrator. "The combination of a committed board, organizational and foundation supporters, and technology allows ACE to serve its diverse membership and promote cooperative education very efficiently."

ACE brings together researchers, educators and cooperators from across cooperative sectors as well as national boundaries, linking an otherwise decentralized field. Most ACE members come from the United States, Canada and Puerto Rico with membership from the rest of the world growing.



The Internet not only offers a cost-effective way to reduce administrative expenses, but it also allows frequent communications with members and offers a wealth of information on cooperative research, education programs and developments.

"The ACE newsletter contains a lot of information gleaned from websites," says Mead. "The web makes available information on some very good cooperative education resources and innovative programs from all over the world. Few people have the time

to search for it. The newsletter provides a valuable service by distilling this information and making people aware that it's available."

ACE recently began publishing its newsletter electronically. The change reduced printing and mailing costs and allows greater flexibility in size, design and color. The newsletters are posted on the ACE website and available to all.

While the Internet has expanded ACE's information and communication capacity, the annual ACE Institute remains an important event for cooperative education and networking.

The Institute includes recognition of the best cooperative education programs and honors cooperative educators at the annual awards banquet. This year, ACE member Cooperativa de Seguros Múltiples de Puerto Rico commissioned an artist to redesign the ACE awards. The result is a stained glass trophy that symbolizes the

national and sector diversity of ACE membership.

This year's institute in Montreal will be simultaneously translated in Spanish, French and English. (The 2004 Institute will be held Aug. 4-7.)

ACE brings together researchers, educators and cooperators from across cooperative sectors...

Though ACE has been around for over 40 years, its importance grew significantly in recent years as events and organizations once considered cooperative education institutions were curtailed or eliminated.

"Despite continual changes in demographics and economies, there remains a significant interest in cooperative education and recognition that education is essential to member commitment and support of cooperatives," says William Nelson, president of the CHS Foundation and The Cooperative Foundation. "Cooperative Centers, universities and state and national organizations are all components in the revitalization of cooperative education. The Cooperative Foundation sees the networking and information services provided by ACE as very important to this process."

Contact Information: website: <http://www.wisc.edu/uwcc/ace/ace.html> ; Phone: (651) 355-5481; address: ACE C/O The Cooperative Foundation, P.O. Box 64047, St. Paul, Minn. 55164. President, Anne Reynolds (University of Wisconsin); Executive Administrator: Leslie Mead. ■

ACDI/VOCA spreads co-op model worldwide

"The future belongs to the organized."
—motto of the **National Smallholder Farmers Association of Malawi**

A nonprofit arm of the U.S. cooperative community, ACDI/VOCA works overseas to foster broad-based economic development and vigorous civil society. It assists developing and transitional countries in: enterprise development and trade; food and agricultural systems; financial systems and crisis recovery.

In the early 1960s Congress sought to reprise overseas the role co-ops had played in developing rural America. Thus, landmark foreign aid legislation welcomed member-owned and democratically run business and financial organizations as partners in America's international assistance efforts, and ACDI/VOCA was born. Today, the

U.S. government funds most of the organization's activities.

ACDI/VOCA is a bridge between the advantages and expertise of America's cooperatives and pressing needs abroad. Sometimes the link is person-to-person: approximately 500 U.S. volunteers serve in two- or three-week assignments each year to provide technical and management assistance.

Improving the well-being of people overseas is a win-win proposition since increased income abroad fuels U.S. exports. And developing nations, where populations are burgeoning, are this country's growth markets of the future.

ACDI/VOCA, using U.S. farm credit volunteers, helped privatize 400 cooperative banks in Poland. It spearhead-

ed a U.S. co-op community project to set up India's largest fertilizer company as a cooperative.

Today ACDI/VOCA carries the co-op banner in Paraguay, Brazil,



Town hall-style meetings in Iraq are a means of determining community priorities and organizing infrastructure improvement projects. Photos courtesy ACDI/VOCA

Mozambique, South Africa, Tajikistan and 30 other countries with a program that approaches \$100 million in value. Even where its work is not strictly co-op related, it always manifests the principle of people organizing for their own self-improvement.

Last year Andrew Natsios, administrator of the U.S. Agency for International Development, affirmed that approach and called ACDI/VOCA “the premier agricultural development NGO [nongovernmental organization] in the world.”

The economic efficiency and organizational impetus of cooperatives are especially valuable in countries that are struggling. As Norway’s Minister of International Development, Hilde Johnson, said, “For the poor around the world, cooperatives can provide a much-needed opportunity for self-determination and empowerment.”

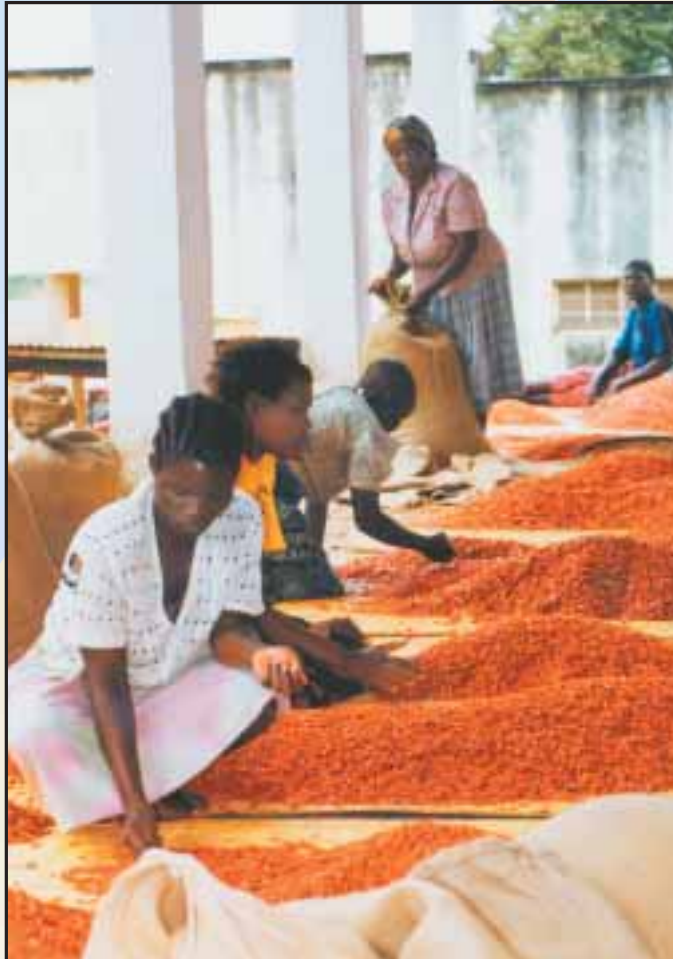
By pooling resources and will, cooperative members position themselves to obtain services, negotiate preferred terms in the marketplace and exercise political clout. Co-ops represent the grassroots and they balance corporate power, which are both welcome roles given globalization’s inequities. Co-ops are founded and shaped by healthy democratic principles, which they, in turn, foster.

ACDI/VOCA builds cooperatives based on sound business practices so that producers and marketers can move into the market, achieve economies of scale and capture more of their goods’ value.

Crisis? Call on co-ops

As U.S. foreign assistance focuses increasingly on helping countries avoid or recover from crisis, ACDI/VOCA’s co-op development work is doubly important.

Cooperation helps knit together torn societies. From Ethiopia, where agricultural co-ops assisted smallholders to recover from war and repressive



ACDI/VOCA helped establish the 100,000-member-strong National Smallholder Farmers’ Association of Malawi, which provides a solid array of member services. Its fiery birdseye chili peppers fetch premium prices on the international market.

government and ultimately sell high-quality coffee to Starbucks, to Iraq where nation-building and economic progress depend on communities organizing for self-benefit, ACDI/VOCA helps people under stress overcome crisis, win freedoms and reach for prosperity.

In fractional Serbia, 49 collectives have been assisted by ACDI/VOCA since 2001 to create unity, stability and economic progress. Staffer Gene Neill says: “We provide lasting solutions by establishing functioning, member-owned, democratic units that serve all members in the area to achieve a com-

mon goal whether it is livestock improvement, agricultural marketing, providing machinery to increase production, etc. Each of these projects has a sustainability element often lacking in pre-crisis cooperatives funded by the state. In addition, we are encouraging cooperation among producers to increase their incomes and provide better lifestyles for themselves and their families.”

ACDI/VOCA’s cooperatives enlist hard-to-reach rural people in the fight of their lives against HIV/AIDS. Food security and economic sustainability often depend on the productivity of smallholder farmers, and HIV/AIDS can in one generation turn food surplus into shortage. As rural livelihoods are undermined, social disintegration is the result.

In Ethiopia, where infection rates range up to 50 percent, ACDI/VOCA is helping 400 co-ops, with a total family member population of 2.5 million, develop HIV/AIDS educational materials, sell condoms in cooperative shops, host frank trainings and use music and drama to powerfully convey health messages.

ACDI/VOCA’s activities revolve around helping farmers and entrepreneurs overseas participate in the global economy. But ACDI/VOCA’s cooperative and association partners show their true colors in also rising to meet members’ social, political and even health needs.

Contact information: website: See www.acdivoca.org; phone: (202) 879-0269; address: 50 F St. NW, Suite 1100, Washington, D.C., 20001. ACDI/VOCA is affiliated with the National Council of Farmer Cooperatives and the Farm Credit Council. Interim President: Don Crane; Board Chair: Jean Marie Peltier. ■

CUNA: Meeting the needs of 83 million members

Credit Union National Association (CUNA) works in cooperation with all the state credit union leagues and the District of Columbia for the betterment of America's credit unions — not-for-profit cooperatives that provide affordable financial services to people from all walks of life. More than 90 percent of the nearly 10,000 credit unions in the United States — which are owned by more than 83 million consumer members — are affiliated with CUNA through membership in their leagues.

CUNA, chartered in 1934, is headquartered in Madison, Wis., and Washington, D.C., where it maintains a governmental affairs office. CUNA provides national leadership, a liaison with Congress and the various federal agencies, publications and Internet-related services, market and demographic research, new product development, economic analysis, public relations, education and training and other services to its affiliated credit unions.

United with CUNA and the leagues through a combined management and leadership structure is CUNA Strategic Services, Inc. (CSSI), the association's financial products and services affiliate. CSSI provides credit unions with access to high-quality products, services and technologies delivered with a competitive advantage made possible through volume pricing and strategic program development. Products offered by CSSI's chosen providers include: office supplies, imaging equipment, promotional products, rate intelligence services, money handling equipment, ATM access, security systems, membership and

audio marketing programs, share drafts, member business lending, ID verification, money orders, IRAs, travelers checks, etc.

Another CUNA affiliate, U.S. Central Credit Union in Lenexa, Kan., provides investment, liquidity and correspondent financial services to credit unions through a network of state or regional 'corporate' credit unions, which are essentially credit unions for credit unions.

Some of CUNA's recent accomplishments and challenges facing it include:



Credit Union House in Washington, D.C., includes rooms that credit unions can use for meetings or receptions when engaged in lobbying efforts in the nation's capital. Photo courtesy CUNA

• **Privacy and the Fair Credit Reporting Act:** FCRA reauthorization was passed as part of the "Fair and Accurate Transactions" (FACT) Act of 2003. President Bush signed it into law on Dec. 4, 2003. CUNA played an integral role for credit unions and consumers in advocating passage of the legislation, which ensures that our national system of credit reporting continues without interruption and, in turn, assures that our nation's consumers have easy access to credit and receive fair and appropriate protections of their personal financial information to help protect against identity theft. CUNA was the only national trade group for credit unions to testify before the full House Financial

Services Committee on this legislation.

• **Challenges from banks:** Banks are continuously lobbying to have credit unions pay federal income taxes — despite credit unions' exemptions through their not-for-profit status. These additional taxes would ultimately prove detrimental to credit union members, as this exemption allows credit unions to return their would-be "profits" to their members in the form of lower loan rates, higher deposit rates and lower fees than other financial institutions.

Additionally, these lower rates benefit all American taxpayers, because they ensure that other financial institutions stay competitive and avoid usury — which was a major contributing factor behind the beginnings of credit union organization.

• **Financial literacy:** CUNA works tirelessly to inform credit unions, the government, the media, America's youth and the general public on the importance of financial literacy.

• **Hispanic Initiatives:** As a tribute to another founding principle - serving people of modest means - CUNA works to help credit unions better serve the financial needs of the United States' growing Hispanic community.

Here are some of the ways that CUNA has worked to achieve this goal. CUNA has published a free resource guide for Hispanics and the newly translated version of the National Endowment for Financial Education's High School Financial Planning Program student guide designed to help build financial literacy among high school seniors. CUNA is also fostering use of IRnet to provide a lower cost remittance alternative to Hispanic and other immigrant populations.

Contact information: website: www.cuna.org; phone: (800) 356-9655; address: P.O. Box 431, Madison, Wis. 53705. President/CEO: Daniel A. Mica; Board Chair: Dick Ensweller, (Texas Credit Union League). ■

National Telecommunications Cooperative Association

Responses to evolving technology, deregulation key to members' future

The National Telecommunications Cooperative Association (NTCA) is a nonprofit association representing about 560 small and rural telephone cooperatives (or "telcos") and commercial telephone companies. These telcos serve more than 3.6 million rural businesses and residences and employ more than 14,000 people.

In an era of rapidly evolving technology, deregulation and marketplace competition, NTCA's goal is to ensure

Management Corporation (SMC). The \$1 billion benefits program ensures that members and their employees have health care, retirement income, savings plans, and insurance. The Telecommunications Education Committee Organization (TECO) is the association's political action committee.

The Foundation for Rural Service (FRS) is NTCA's nonprofit, 501(c)(3) organization. The foundation's mission is to promote, educate and advocate to the public on rural telecommunications issues in order to sustain and enhance

much has changed in 50 years, the one thing that has remained constant: dedication to members and the success of rural telecommunications.

Recent NTCA accomplishments include:

- Its intercarrier compensation work group undertook an extensive data collection to evaluate the impact of access charge reform proposals on rural incumbent local exchange carriers.
- Lobbied successfully to change the Federal Communication Commission's attribution rules requiring a cooperative to include a director's outside income in the company's revenues when applying for spectrum bidding credits.
- With other associations, NTCA filed a joint petition with the FCC and a notice of appeal with the U.S. Circuit Court of Appeals for D.C., challenging the FCC's intermodal (wireline-to-wireless) local number portability rules.
- Successfully challenged Financial Accounting Standard Board 150 rules requiring cooperatives to treat retained capital credits as liabilities rather than equity.
- Was instrumental in the creation and passage of a new communications law in Nigeria.
- Conducted a comprehensive case study of its work in the early 1990s to create two Polish telecom cooperatives, both of which are still thriving, more than 10 years later.

Contact information: website: www.ntca.org; phone: 703-351-2000; address: 4121 Wilson Blvd., 10th floor, Arlington, Va. 22203. CEO: Michael E. Brunner; Board President: Norman T. Welker, president, McDonough Telephone. ■



that rural Americans receive telecommunications service on par with those available to urban residents — and at comparable rates.

NTCA's members are complete communications providers, offering every service from basic phone to high-speed broadband Internet to video entertainment. NTCA is a full-service association, offering a wide array of member services, including: an effective government affairs program; expert legal and industry representation; a broad range of educational services; comprehensive regular and special publications and public relations programs; assistance with business and technology programs; and a complement of national and regional meetings.

NTCA also offers a complete range of employee benefits programs through its wholly owned subsidiary, Services

the quality of life within rural communities. Funded solely through contributions, FRS supports a number of programs that address the needs of rural communities and, in particular, the youth of rural America. The foundation sponsors a college scholarship program and an annual Youth Tour that brings rural high school students to the nation's capital to learn about the telecommunications industry and to witness the legislative process. It also runs an advocacy campaign, providing information to help increase awareness of important telecom issues facing rural consumers across the country.

NTCA's record of service and achievement has led policymakers and the public, alike, to have confidence in its capabilities. This year marks NTCA's 50th anniversary as the voice of rural telecommunications. While

National Cooperative Bank

Grocery, housing & purchasing co-ops on spectrum of organizations financed

An independent organic grocery in San Francisco makes the transition to 100-percent employee ownership. An Alaska native corporation based in Nome starts a clothing manufacturing business in Puerto Rico. A New York City co-op apartment building refinances to make long-overdue capital improvements. A Native American tribal entity opens a stunning, award-winning golf course on Pueblo Indian lands in New Mexico. A charter school in a low-income Bronx neighborhood moves from a makeshift temporary location to a new, state-of-the-art



NCB provided a \$5 million line of credit to help an Alaskan Native Corporation launch this garment-manufacturing plant in Orocovis, Puerto Rico. Photo courtesy NCB

high-tech campus.

These are just a small sample of recent projects made possible by financing from National Cooperative Bank (NCB), headquartered in Washington, D.C. For more than 20 years, NCB has been providing a comprehensive array of financial services to cooperatives and other member-owned organizations throughout the country.

Currently owned by more than 1,800 of its customers, NCB serves a spectrum of cooperatives, including wholesale grocery co-ops, retailer-owned purchasing co-ops and housing co-ops. Beyond this customer base, however, NCB also meets the needs of other enterprises, each grounded in a

spirit of cooperation and democratically organized, even though they are not cooperatives in the strictest sense.

These groups, for example, may be nonprofits that deliver services to their local communities. They may be ESOPs (Employee Stock Ownership Plans) giving workers an equity stake in their companies. Or they may be Alaska Native enterprises that, by their very nature, are member-run and member-driven.

NCB is unique because it was created to serve the financial needs of this underserved market-niche — people who join together cooperatively to meet personal, social or business needs, especially those in low-income communities.

Chartered by Congress in 1978, NCB was privatized in 1981 as a member-owned financial institution.

As a bank whose mission is to serve and promote cooperatively organized enterprises, NCB's success is measured by the degree to which its customers succeed. So, the bank continually changes and innovates

as its customers seek new financial solutions in an increasingly competitive environment:

- In real estate lending, NCB promotes multifamily homeownership by offering an array of financial services to housing cooperatives and other types of community associations.
- In commercial and small business banking, NCB helps member-driven organizations of all shapes and sizes grow with customized financial services.
- In community development, NCB assists at-risk communities with a unique blend of technical assistance and development finance.
- In personal banking, NCB provides

financing for co-op and condo apartments, as well as checking and savings for consumers nationwide.



Working to ensure the continued vitality of the cooperative sector as a whole is also very much a part of NCB's mission. Which is why, every year, the bank publishes the *NCB Co-op 100*, in both print and online versions, highlighting the nation's top 100 co-ops and their contributions to America's economy.

Each October, NCB also plays a role in the celebrations surrounding National Co-op Month. In 2003, as part of this annual observance, the bank produced a video and accompanying brochure titled "What is a Co-op? You'd be Surprised." It shows how cooperatives are interwoven throughout American life. Copies can be obtained by calling NCB at (202) 336-7742 or by sending an e-mail request to marcom@ncb.coop.

The enterprises NCB serves are large and small. They are located in rural and urban communities. They affect the lives of Americans in essential ways, enabling them to realize their dreams of owning a home, running a competitive business, giving their children a good education and making sure they have access to quality health care now and as they grow older. NCB helps them by crafting financial solutions tailored to their continually evolving needs.

Contact information: website: www.ncb.coop; phone: (800) 955-9622; address: 1725 Eye St. N.W., Suite 600, Washington, D.C. 20006. President & CEO: Charles Snyder; Chairman: Stuart Saft, Council of New York Cooperatives. ■

USDA Rural Development: committed to the future of America's rural communities

USDA Rural Development is committed to helping improve the economy and quality of life in all of rural America. It helps to build a stronger nation by promoting development of rural housing and community facilities, investing in rural businesses, promoting development of new cooperatives and improved operations of existing co-ops, and building an infrastructure of modern electrical, telecommunications, water and waste disposal services.

USDA Rural Development achieves its mission by helping rural individuals, communities and businesses obtain the financial and technical assistance needed to address their diverse and unique needs. The agency provides about \$13 billion per year in direct loans, guaranteed loans and grants; it has an \$86 billion loan portfolio.

To help raise homeownership rates, USDA Rural Development administers both direct and guaranteed homeownership loan programs. It also has a self-help housing program, under which low-income people can use "sweat equity" to become homeowners. Rural Development also helps to build affordable rental housing and farm-worker housing in rural areas.

USDA supports loans to businesses through banks and community-managed lending pools for projects that create or preserve quality jobs and/or promote a clean rural environment. The agency's financial resources are often leveraged with those of other public and private credit source lenders to meet business and credit needs in under-served areas. Recipients of these programs may include individuals, corporations, partnerships, cooperatives, public bodies, nonprofit corporations, Indian tribes and private companies.

USDA Rural Development operates through a network of 47 state offices and more than 800 field offices located throughout the nation. Many of these are located in USDA Service Center offices.

Because readership of this magazine is primarily cooperative-oriented, the following information focuses on Rural Development's Cooperatives and Rural Utilities Programs.



Under USDA's Mutual Self-Help Housing Program, rural people can become homeowners through an investment of "sweat equity." USDA Photo

Rural Cooperatives Program

The mission of Rural Development's Cooperatives Program is to promote understanding and use of the cooperative form of business for marketing and distributing agricultural products. It serves cooperative members, directors, management, educational institutions, rural residents and all others with an interest in the cooperative form of busi-

ness. USDA maintains a library of more than 200 cooperative publications and videos, ranging from *How to Start a Cooperative* and *Co-ops 101*, to multi-volume sets on tax laws for cooperatives. More than 50,000 of these publications are distributed every year, making USDA the world's leading distributor of co-op educational materials. Many more are distributed electronically via the Rural Development website.

Primary co-op program areas include:

Technical assistance — is provided to existing cooperatives facing specific problems or challenges.

Examples of this aid can include: helping a cooperative develop a strategic marketing plan to cope with changing competitive forces; assisting a co-op in making a crucial decision whether to merge or form a joint venture; finding ways to turn raw products of cooperative into value-added products. These matters are often life and death issues not only for a cooperative, but for the rural communities in which they operate.

USDA co-op staff can help improve a cooperative's business structure and operating efficiency. This work often involves an analysis of operations or assessing the economic feasibility of new facilities or adding new products or services. Technical assistance is largely designed to benefit a specific cooperative business or group. However, the results often provide business strategy for all cooperatives.

Cooperative research — creates a knowledge base necessary to support cooperatives dealing with changing markets and business trends. Studies include financial, structural, managerial, policy, member governance, legal and social issues, as well as various other economic activities of cooperatives. Research is designed to have direct application to current and emerging

requirements of cooperatives. Recent research studies have focused on equity redemption plans used by cooperatives, identification of new niche markets for cooperatives and opportunities and obstacles cooperatives face when exporting goods overseas.

Cooperative education — The Cooperative Marketing Act of 1926 mandates that USDA “promote the knowledge of cooperative principles and practices and cooperate in promoting such knowledge with educational and marketing agencies, cooperative associations, and others.” To meet this goal, Rural Development’s Co-ops Program provides a wide range of training and educational materials.

The agency’s bimonthly magazine, *Rural Cooperatives*, reports significant achievement by cooperatives and examines the key issues facing them, presents the most advanced thinking of cooperative leaders and provides highlights of agency research, technical assistance and educational activities.

Cooperative development — this assistance can range from conducting an initial feasibility study to the creation and implementation of a business plan and development of bylaws. We also provide training for cooperative directors. The overall goal is to provide a realistic view of what it will take to make a new cooperative succeed, and to help guide the leaders through the various stages of launching a cooperative.

Cooperative statistics — are collected and published to detect growth trends and changes in structure and operations of cooperatives. Data help identify and support research and technical assistance activities. This information is used extensively by legislative and executive branches of government in formulating agricultural and cooperative-related policy.

Some recent special co-op initiatives include:

• **Value-Added Producer Grant Program** — Now in its fourth year, this grant program provides matching grants to cooperatives and others in agriculture seeking to produce value-added products from U.S. farm

commodities. These grants cannot be used for agricultural production. The awarding of the grants — \$13.2 million for 2004 — is as competitive process, in which detailed applications and business feasibility plans are reviewed by panels. Website: www.rurdev.usda.gov/rbs/coops/vadg.htm.

• **Agricultural Marketing Resource Center (AgMRC)** — Funded in part by USDA Rural Development, this is a national “virtual resource” center providing the latest information on value-added agricultural enterprise development. The center has grown from a small website with a few areas of expertise to more than

ing to defined selection criteria. In 2003, \$6.3 million in grants were awarded to 21 applicants.

Rural Development’s Other Business Programs

The rural business programs help provide financing to rural business owners, nonprofit organizations, cooperatives, public bodies, and Indian tribes for business ventures which create quality jobs and stimulate the economy of rural areas. The Business and Industry (B&I) Guaranteed Loan Program creates partnerships with commercial lending institutions, the Farm Credit System and Farmer Mac to provide financing for qualified rural business enterprises,



Charles Ling, left, dairy economist with USDA Rural Development’s Cooperatives Program, gets a tour of a milk bottling plant in Wisconsin. USDA photo by Ken Hammond

150 different commodity areas. Website: www.agmrc.org.

• **Rural Cooperative Development Grants** — help establish operating centers for cooperative development to improve the economic condition of rural areas through the development of new cooperatives and improving operations of existing cooperatives. Eligible applicants are nonprofit corporations, including institutions of higher education. Applications are solicited annually and scored accord-

including cooperatives. This often takes the form of loan guarantees which bolster existing private credit structures in funding projects which foster lasting community benefits.

B&I loan guarantees can cover as much as 60 percent of a loan of \$10 million to \$25 million, or as much as 80 percent of a loan of \$5 million or less. This assistance is available to businesses in areas outside the boundary of urban areas with populations under 50,000.

The Cooperative Stock Purchase Program, which operates as part of the B&I program, can help ag producers buy stock to join a new-generation or other stock-ownership cooperative, up to a maximum of \$400,000. USDA will guarantee up to 80 percent of these loans for as long as seven years.

The Rural Business Enterprise Grant Program provides grants to public bodies and private, nonprofit organizations serving rural areas outside the boundary and adjacent urbanized area of a city with a population of 50,000 or more. Priority is given to applications from rural areas and towns with populations of 25,000 or less. These grants can finance small and emerging private businesses and cooperatives, or fund a revolving loan program.

For more details of these and other Rural Development Business Programs, visit: www.rurdev.usda.gov, or call (202) 720-7287.

Rural Utilities Programs

Modern utilities came to rural areas of the nation through some of the most successful government initiatives in American history, carried out through USDA working with rural cooperatives, nonprofit associations, public bodies and for-profit utilities. Today, USDA Rural Development's Utilities Program carries on this tradition, helping rural utilities expand and keep their technology up to date, helping establish new and vital services such as distance learning and telemedicine.

The public-private partnership which is forged between USDA and these industries results in billions of dollars in rural infrastructure development and creates thousands of jobs for the American economy.

Rural Electric Program

Providing reliable, affordable electricity is essential to the economic well-being and quality of life for all of the nation's rural residents. The electric program provides leadership and

capital to upgrade, expand, maintain and replace America's vast rural electric infrastructure. Under the authority of the Rural Electrification Act of 1936, USDA Rural Development makes direct loans and loan guarantees to electric utilities to serve customers in rural areas. USDA is the majority noteholder for more than 700 electric systems.

USDA's Electric Program makes loans and loan guarantees to finance the construction of electric distribution, transmission and generation facil-



A lineman repairs damage following a winter storm in Texas. Rural telecommunications and electric cooperatives throughout the nation look to USDA for much of their financing needs. USDA photo by Dan Campbell

ities, including system improvements and replacement required to furnish and improve electric service in rural areas, and for demand-side management, energy conservation programs, and on-grid and off-grid renewable energy systems.

Loans are made to corporations, states, territories and subdivisions and agencies, such as municipalities, people's utility districts and cooperative, nonprofit, limited-dividend, or mutual associations that provide retail electric service needs to rural areas or supply the power needs of distribution borrowers in rural areas. USDA also pro-

vides financial assistance to rural communities with extremely high energy costs to acquire, construct, extend, upgrade and otherwise improve energy generation, transmission, or distribution facilities. USDA's Rural Utilities Program services approximately 686 active electric borrowers in 47 states.

Rural Telecommunications Program

USDA continues to provide many programs for financing rural America's telecommunications infrastructure. The traditional infrastructure loan program — consisting of hardship, cost of money, Rural Telephone Bank and guaranteed loans — provides financing of broadband and other advanced services. Since 1995, every telephone line constructed with USDA financing has been capable of providing broadband service using digital subscriber loop (DSL) technology. The Distance Learning program continues its charge to wire rural schools to tap into a rich universe of educational classes and resources; the Telemedicine program is helping to improve health care delivery in rural America by "linking" small clinics and hospitals to major medical facilities.

The Broadband Program is a loan program designed to increase the rate of deployment of broadband technology to small towns in rural areas.

Under this program, Rural Development can fund borrowers serving communities of up to 20,000 inhabitants.

Contact information: Rural Development website: www.rurdev.usda.gov; phone numbers: Cooperatives Program (202) 720-7558; Rural Business Program (202) 690-4730; Rural Utilities Program (202) 720-9540; Rural Housing and Community Facilities Programs: (202) 690-1533; address: (Cooperatives Program): USDA Rural Development, Cooperatives Program, Stop 3250, 1400 Independence Avenue, S.W., Washington, D.C. 20250. E-mail: coopinfo@rurdev.usda.gov. ■



Send items to: dan.campbell@USDA.gov

USDA to award \$23 million for renewable energy projects

Agriculture Secretary Ann M. Veneman announced in early May the availability of approximately \$23 million in grants to support President Bush's energy plan to develop renewable energy systems and promote energy efficiency improvements. Veneman said the Renewable Energy Systems and Energy Efficiency Improvements program was created as part of the 2002 Farm Bill to assist farmers, ranchers and rural small businesses develop renewable energy systems and make energy efficiency improvements to their operations. In 2003, the Bush administration invested \$21.7 million to assist 114 applicants from 24 states develop or improve wind power, anaerobic digester, solar, ethanol and other bioenergy related systems or energy efficiency improvements.

Applicants must be agricultural producers or rural small businesses, U.S. citizens or legal residents and have demonstrated financial need. USDA Rural Development grants may be used to pay up to 25 percent of the eligible project costs. Eligible projects include those that derive energy from a wind, solar, biomass or geothermal source, or hydrogen derived from biomass or water using wind, solar, or geothermal energy sources.

Applications must be completed and submitted with a postmark no later than July 19, 2004. Detailed information about program requirements and information on how and where to apply is included in the funding notice in the May 5 *Federal Register*. Awards will be made on a competitive basis for the purchase of renewable energy systems and to make energy improvements.

UW's Ann Hoyt elected NCBA board chair

Ann Hoyt, one of the nation's most respected and widely published experts on cooperatives, has been elected to a two-year term as board chair of the National Cooperative Business Association (NCBA). Hoyt is a professor of consumer science at the University of Wisconsin-Madison and a senior faculty associate at the university's Center for Cooperatives. She teaches, does research and develops training materials for all types of cooperatives.

For more than two decades, Hoyt has trained hundreds of cooperative directors and managers for nonprofits. She has also written widely on the history and development prospects of consumer cooperatives. Hoyt holds a Ph.D. from Kansas State University and is currently doing research on urban cooperative development in the United States.



For their tremendous, lifetime contributions to the nation's cooperative system, the Cooperative Hall of Fame in Washington recently inducted three new members: (from left): Ralph Paige, executive director of the Federation of Southern Cooperatives; Henry Schriver (holding plaque), a co-op educator and leading proponent of cooperatives for 61 years, and Allen Thurgood, founder and CEO of 1st Rochdale Cooperative. With Schriver are: NCFC CEO Jean Marie Peltier, DFA Executive Vice President Don Schriver (Henry's son) and CoBank CEO Douglas Sims. For details about each of the inductees, see the January-February 2004 issue of *Rural Cooperatives*, page 32. Schriver photo by Agi Schafer, courtesy DFA; Paige and Thurgood photos by Art Jaeger, courtesy NCBA

“Ann is extremely knowledgeable and has led numerous other co-op boards over the years,” NCBA President & CEO Paul Hazen says. “The depth of experience she brings to NCBA will be a tremendous benefit for us.” Hoyt succeeds Charles M. Snyder, president and CEO of the National Cooperative Bank.

Elected to replace Hoyt as 1st vice chair was Steven Cunningham, president and CEO of IMARK Group in Oxon Hill, Md. Elected 2nd vice chair was Andrew Brown, vice president for industry and member relations of the National Rural Telecommunications Cooperative in Herndon, Va. Elected secretary-treasurer was Kathy Brick, senior vice president and chief financial officer of U.S. Central Credit Union in Lenexa, Kan. The only new board member elected was Ruffin Slater, general manager of the Weaver Street Market, a worker-owned and consumer-owned food cooperative in Carrboro, N.C. Headquartered in Washington, D.C., the 88-year-old NCBA represents cooperatives across all sectors of the economy, including agriculture, food distribution and retailing, childcare, credit unions, housing, healthcare, energy and telecommunications.

Wisconsin's Co-op Care Program finalist for prestigious award

Representing a major change in the delivery of home care services, Waushara County's Cooperative Care has been named one of 15 finalists for the esteemed Innovations in Government Award, a program of the Ash Institute for Democratic Governance and Innovation at Harvard University's Kennedy School of Government. The program is now eligible to win \$100,000 in what is often referred to as “the Oscars” of government award programs.

The Waushara County Department of Human Services facilitated development of the co-op in 1999 in an effort to strengthen and expand its home care workforce by transferring management of the service from the county

to the care providers. With guidance from USDA Rural Development and other organizations, the care providers created a business plan reflecting their wishes for decent pay and benefits. Cooperative Care was officially launched in 2001 by 52 workers who voted to incorporate, paid dues and elected a board of directors.

Today, with 84 members, Cooperative Care is fulfilling the mission of its founding members by providing the county's home care workers with fair pay and benefits through a business they democratically own and operate themselves. The best aspect of this program is that it gives this once-disenfranchised group of workers a voice on the job.

Cooperative Care was one of nearly 1,000 applicants for the 2004 Innovations in American Government Award. The committee will select five winners, which will be announced on July 28 at the Excellence in Government 2004 Conference, in Washington, D.C.

Co-ops eligible for Value Added Grants

USDA Rural Development is providing more than \$13 million in federal funds for the Value-Added Producer Grant (VAPG) Program in 2004. Eligible applicants include farmer- and rancher-owned cooperatives, independent producers, agricultural producer groups and majority-controlled producer-based business ventures.

Grants may be used for planning activities and working capital for marketing value-added agricultural products and for farm-based renewable energy. The maximum amount that can be awarded is \$500,000, and all VAPG funds must be matched by an equal amount of funds from the applicant or a third party.

At press deadline for this magazine, the announcement of fund availability was scheduled to be published in late May the *Federal Register*; website: <http://www.gpoaccess.gov/fr/index.html>, and on the USDA program website: [\[vadg.htm\]\(#\). Deadline for application is 45 days from the date of publication.](http://www.rurdev.usda.gov/rbs/coops/</p></div><div data-bbox=)

Farm Credit Bank of Texas doubles earnings in 2003

The Farm Credit Bank of Texas (FCBT), a \$7.4 billion wholesale lender, today reported strong earnings for 2003 and one of the largest patronage distributions in the bank's 87-year history. Bank net income of \$64.8 million for 2003 was nearly double the previous year's income of \$32.5 million, due largely to the sale of the bank's mineral rights holdings in November 2003 — a one-time event. These strong earnings allowed the FCBT to declare \$50.8 million in patronage distributions last year to its stockholders — 22 rural financing cooperatives in Alabama, Louisiana, Mississippi, New Mexico and Texas. These lending associations provide loans and financial services to agricultural producers, agribusinesses, country homeowners and other rural landowners.

“We are extremely pleased that we were able to share our success with our stockholders, who are also our customers, by paying them a substantial patronage on our earnings. That is our way of reducing their effective net cost of borrowing, and it is the single greatest advantage of doing business with a cooperatively owned bank,” says bank CEO Larry Doyle.

The bank's gross loan volume of \$5.8 billion at Dec. 31, 2003, reflected a modest \$8 million increase from Dec. 31, 2002. This figure was impacted by the bank's sale of \$300 million in participations in its direct notes from associations in November 2003. The Texas bank is part of the nationwide Farm Credit System, which reported combined net income of \$1.82 billion for the year ended Dec. 31, 2003, as compared with combined net income of \$1.773 billion for the prior year.

ACDI/VOCA's Deegan resigns

Michael Deegan announced his immediate resignation on April 29 as president and CEO of ACDI/VOCA.

Deegan said he plans to pursue other career opportunities. The ACDI/VOCA board immediately launched a search for a replacement. Don Crane, executive vice president of ACDI/VOCA, will carry out the day-to-day chief executive functions until an interim president is appointed.

During Deegan's eight-year tenure as ACDI/VOCA president, the organization experienced unprecedented growth and success in its development operations worldwide, Crane noted. ACDI/VOCA, headquartered in Washington, D.C., is a private, non-profit organization which promotes broad-based economic growth and the development of civil society in emerging democracies and developing countries (see page 37).

New logo adopted for California Tree Fruit

The California Tree Fruit Agreement (CTFA) has approved a new logo for use in the marketing of fresh California peaches, plums and nectarines. "The new logo is designed specifically to promote California peaches, plums and nectarines and



communicates images of sunshine and health that are associated with these fruits," said CTFA President Blair Richardson. He said the old logo — which depicted a tree illuminated with sun rays — seemed to work better at promoting the organization rather than the fruit.

"First and foremost, CTFA exists to promote our growers' fruit and is not an organization that promotes itself," Richardson said. He noted that the

new logo will be used in both trade and consumer marketing efforts and will appear on new point-of-sale materials being developed for the 2004 season. Initially, the logo will be printed with the words "peaches, plums, nectarines." "Eventually, we expect that the logo will stand on its own without the need for these tag lines," Richardson said.

Forum for Dairy Women slated in Madison, Sept. 26-27

The 2nd International Forum for Women in Dairying (IFWD) will be held Sept. 26-27 in Madison, Wis. The forum strives to enrich the lives of global dairy women by encouraging them to share challenges and contributions to the industry and to provide a venue to learn, network and be inspired.

Jackie Pflug, who survived an airline terrorist attack, will give the forum's keynote address, sharing how we can become peak performers through our attitude and reaction to change, adversity and challenge. A full program can be found at www.world-dairy-expo.com. For a registration packet, contact Marlene Schmidt, World Dairy Expo visitor services manager, at (608) 224-6455 or mschmidt@wdxpo.com.

USDA awards \$385 million for rural electric expansion

Agriculture Secretary Ann M. Veneman in March announced 28 rural electric guaranteed loans totaling nearly \$385.6 million to expand rural electric infrastructure in 16 states. "Expansion of rural infrastructure is a first step in opening the door for expanded rural economic development and improved quality of life for rural residents," said Veneman. "These projects will serve 62,980 future customers, build 4,300 miles of new line and fund general system-wide modernization."

Through USDA Rural Development's utilities program, loans and loan guarantees are made to finance the construction or replacement of electric transmission and generation facilities. In fiscal year 2003,

the Bush administration invested over \$6.3 billion in grants, loans and loan guarantees to support the development and/or improvements to rural electric, telephone and water/wastewater infrastructure that will help to create or save an estimated 150,000 jobs.

The loans announced today include 25 distribution projects and three transmission and generation ventures. A complete list of the loan recipients can be viewed at USDA Rural Development's website at: www.rurdev.usda.gov.

USDA announces \$190 million in high-speed internet loans

Agriculture Secretary Ann M. Veneman in early May announced the approval of 20 rural broadband and telecommunication loans totaling \$190 million to expand access to advanced technology in 19 states. The funding is part of the Bush administration's effort to expand the availability of broadband technology in rural areas.

"President Bush is committed to ensuring that every household in America has access to broadband by the year 2007," said Veneman. "This technology is important for families and businesses to succeed in a global environment."

Veneman announced in January 2003 that USDA would expand efforts to bring farmers, rural residents and businesses greater access to improved telecommunication technology through loans and loan guarantees to rural telecommunications providers. Funds for the program were authorized through the 2002 Farm Bill. To date, over \$206 million in broadband loans have been approved in this program.

The rural broadband access program provides loans and loan guarantees for the construction, improvement, and acquisition of facilities and equipment for broadband service in eligible rural communities. Priority is given to applications that are proposing to serve areas where no residential broadband service currently exists. ■

MORE Stuff You Need to Know

If you're a director or manager of a cooperative, or just a co-op member interested in keeping abreast of important issues that affect your interests, these publications offer you important information.



NEW RD Research Report 179

Cooperative Coordination of Production and Harvesting Decisions

Centrally coordinating production practices and harvesting decisions may result in better responses to changes in fruit and vegetable markets. This report surveys fruit and vegetable cooperatives to determine to what extent they practice coordination, and if it has improved profitability.

RBS Service Report 22

Directory of Farmer Cooperatives

Newly updated listings of 400 major cooperatives, covering all 50 states. Includes type of co-op, addresses, phone and fax numbers, e-mail addresses, and names of CEOs.

RBS Research Report 201

Marketing Operations of Dairy Cooperatives, 2002

America's dairy cooperatives marketed 83 percent of all the milk sold to plants and dealers in 2002. Although most are still relatively small, an increasing amount of milk is being sold by larger co-ops. Read all about it.

NEW RD Service Report 63

Website Directory of Farmer Cooperatives

Includes website addresses for 518 cooperatives, plus street address, telephone numbers, whether the co-op accepts online orders, and other information.

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