

Rural COOPERATIVES

USDA / Rural Development

September/October 2008



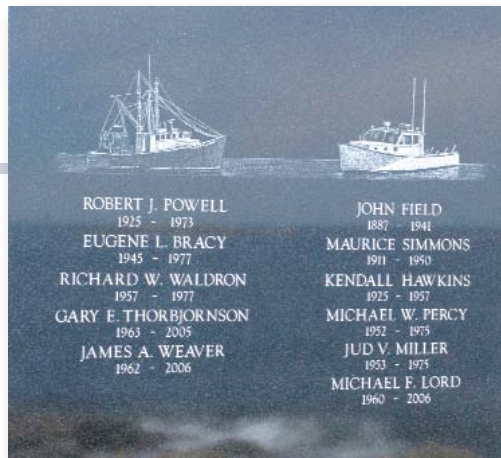
Trawling for a sustainable future

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Stories behind the numbers

This issue of *Rural Cooperatives* contains some numbers that merit your attention. Here is a preview:

- **\$146 billion** — The total sales racked up in 2007 by U.S. farm, ranch and fishery co-ops (see page 19), easily setting a new record. For those pundits and “coffee-shop economists” who predicted that the collapse of Farmland Industries heralded the end of the nation’s ag co-op sector, please take note!
- **\$3.8 billion** — The record net income co-ops enjoyed in 2007 (see page 19). Much of this was paid to members as cash patronage or (in the case of federated co-ops) to local cooperatives.
Where do we get these numbers? From USDA’s annual co-op survey. Co-op managers and accountants put a lot of time and effort into filling out those surveys every year — for which we thank you! The numbers generated by the survey are used in many ways, not the least of which is to show how critically important co-ops are to the nation’s economic lifeblood.
- **\$100 million** — The amount of money the fresh tomato industry is estimated to have lost when tomatoes were erroneously blamed for the nation’s largest outbreak of food poisoning in a decade (see page 13). One hesitates to become a Monday morning quarterback in these situations, because there is no doubt that all involved were trying their utmost to get the mystery solved as quickly as possible. But clearly, government and



industry must resolve to work even more closely together to make system improvements needed to avoid a repeat scenario.

- **100** — The number of years since the Dairylea co-op was formed (see page 16). Dairylea reached this milestone in part by reinventing itself into a multi-faceted member services cooperative that meets the needs of its dairy farmers in many ways beyond marketing milk. This is a good example of why so many co-ops are reaching their 75th or 100th anniversaries. In the past year alone, we’ve run similar anniversary salutes to Aurora Cooperative (100), West Central (75), and Fruit Growers Supply (100) — and there are more to come. Their longevity bespeaks to the durability of the cooperative business structure. Well managed co-ops that adjust to changes in the marketplace and keep their fingers on the pulse of their members’ needs can, and will, succeed.
- **75** — Speaking of anniversaries, we conclude the 75th anniversary retrospective of this magazine with excerpts from articles that ran in our pages between 1970 and 2008. From the farm credit crisis to the ramping up of the renewable fuels industry, it

has been an eventful 38 years for co-ops and their members.

- **11** — Last, but certainly not least, the number of names on the seaman’s memorial outside Port Clyde, Maine, commemorating local fishermen lost at sea while helping to feed the nation. A few of their stories are recounted in a sidebar (page 6) to this month’s cover story about a new Maine fishing co-op. That so many good men have been lost from just one small community while harvesting the sea does indeed give pause.

I’d wager most farming and ranching counties around the nation could erect similar memorials with the names of hometown farmers and ranchers killed or maimed over the years while producing food, fiber and energy.

In my five years as a newspaper farm editor in California, I recall twice running articles about local dairymen crushed to death by Holstein bulls, a cotton farmer killed when an irrigation pipe he was hauling hit a power line, and a farm worker killed while pruning trees.

And let’s not forget utility co-op line crew workers who risk life and limb every time they go up in a bucket to restore power or extend new service lines.

As we observe Co-op Month in October, let’s do so with a salute to the men and women who produce our food, on land and at sea, and those who keep the power on so that we can cook it. They are the ones who risk it all to keep our co-ops, and our nation, running.

— By Dan Campbell, editor ■

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On the cover: Landing a load of shrimp on deck off the coast of Maine. The Midcoast Fishermen's Cooperative is adopting sustainable fishing methods and is shifting its focus from the commodity seafood market to a brand-name strategy. Photo by Kim Libby, courtesy Midcoast Fishermen's Co-op



Charting a New Course

USDA graphic by Stephen Thompson



By Dan Campbell, Editor



Thirty-two years ago, when Glen Libby was beginning his career as a fisherman, the haddock, flounder, cod and other groundfish he sought could usually be caught along the shore near his home in Port Clyde, Maine. A typical day of fishing involved steaming out in his trawler as the sun was rising, dragging his nets along the sea floor all day, then arriving back in port to unload his catch and make the short walk home for dinner.

That now all seems like a distant dream, as the fishery that is his lifeblood and which helps to fuel the local economy has been drastically altered by past fishing practices and — possibly — by environmental factors. Instead of a day of fishing close to home, a typical voyage now takes him 25 to 50 miles out to sea for three or four days at a time.

With the price of diesel fuel and some other supplies soaring, and tighter fishing regulations, this pattern of fishing may not be sustainable much

longer. At \$4.25 per gallon in June (up from about \$2 per gallon just two years ago), much of his profit is going into the fuel tanks of his boat and the truck that hauls the catch to the fish auction in Portland, three hours down the coast.

At times, it has seemed as if the end could be near for this way of life that the fishermen love, and which is such a key part of the culture and economy of coastal Maine.

But Libby and 15 of his fellow fishermen formed the Midcoast Fishermen's Cooperative nearly two years ago to try to save their industry and way of life. They now have a new vision for the future, which centers on rehabilitating the local fishery by catching fewer fish, more selectively.

This goes hand-in-hand with a new marketing plan to seek higher prices for the co-op's Port Clyde Fresh Catch-brand fish, sold directly to restaurants and to local consumers through a

community-supported fishery, or CSF (the aquatic version of community-supported agriculture, or CSA). About 1,500 CSAs have been organized in the United States since the movement began in the late 1980s, but Port Clyde is one of the first CSFs in the nation.

Restoring the fishery

"Our whole project is geared toward somehow getting the fish back up along the shore to the traditional spawning grounds," says Libby, gesturing toward the inlet, where moored fishing and pleasure craft bob serenely on a soft summer day, the cry of laughing gulls piercing the air.

"We are increasing the selectivity of the gear we use to leave juveniles on the bottom to grow and reproduce — just not bring them up to the surface, where most of them won't survive," explains Libby, the co-op president. Using lighter nets with a wider mesh will not only be more selective in what is

may help Maine fishing co-op stay afloat



A co-op member's boat at dock in Port Clyde, home to the last groundfishing fleet on Maine's midcoast area. The town's general store meets the needs of local residents and summer tourists. USDA photo by Dan Campbell

snagged, but they will have less impact on the habitat. By exerting less drag, they also reduce fuel consumption.

"We're basically trying to change people's fishing practices to have a beneficial impact on the resource," Libby continues. "Marketing for a higher price allows us to do that; then we won't need to fully load the boat to keep going. That has always been the model in the past: fill your boat up, then sell them cheap as a commodity."

That fishing model has not been good for the fishery, and it has not been good for Maine's fishermen, says Laura Kramar, the co-op's marketing coordinator and its only fulltime

employee. She is working under a contract from the Island Institute, a nonprofit rural assistance agency.

"If this new co-op works in Port Clyde, the hope is that it will become a model that can be replicated elsewhere along the coast," Kramar says. "This is the only non-island group the Institute is currently working with. But the issues facing Port Clyde are very similar to those we deal with on the islands, where we're trying to help rural communities that depend on the sea."

"If enough of us start doing this, it could have a significant impact on the resource. Then we wouldn't need so much government regulation," adds

Libby. Providing incentives for people to take voluntary action almost always nets better results than do regulations, he notes.

Co-op fishermen are taking extra steps to improve their product quality. When fish are landed on deck, they are first packed in plastic tubs with ice and

seawater before going into the ship's hold, which contains still more ice to keep the catch chilled.

"This process has been proven to reduce bacteria counts," Libby says. "Instead of putting hot fish off deck down there, you are putting ice-cold fish down there. It really makes a difference when you are at sea for several days."

The market seems to be coming around to the co-op's product, Kramar says. "It's not hard to hook them when your product is wild-caught fish, harvested in an environmentally sustainable manner, with a quality-assurance program to back up the

sanitation end of things. That's a powerful selling tool."

Kramar says she loves the job. "It can get a little crazy at times, but everybody keeps fighting the good fight. I wake up every day excited to be working with this co-op."

Changing and saving a legacy

"We ran the boats hard in the old days — harder than we should have," says co-op member Randy Cushman as he stacks plastic fish tubs on the dock.

"I wish we would have done things differently," he confides, referring to the damage to the fishery caused by many years of intense, no-limit fishing.

The fishing industry here is now strictly regulated. Permits allow only 48 days on the water each summer for groundfishing. Most co-op members, however, supplement their income by fishing for scallops in the fall, then switching to shrimp after Dec. 1.

"It's a bigger struggle every year, and it's been especially bad this year due to

oil prices," says Cushman, a fourth-generation Maine fisherman. His three brothers are also fishermen. "This co-op is the only thing that is going to keep us afloat."

Port Clyde, Cushman notes, is the second biggest fishing port, by volume, in Maine. "But we're not all that big, so that gives you an idea of where the industry has gone," Cushman says.

In 1995, there were about 460 active commercial fishing permits in the state, he notes. Now there are only about 70.

Danger, risk part of fishing trade

For those inclined to take for granted the fish on their dinner plate without ever thinking of the hard work and sacrifice that put it there, a short trip just a half mile or so south of Port Clyde, Maine, is in order.

There, etched on a slab of polished black granite overlooking the sea, is a portrait of Gary Thorbjornson. He stands at the helm of his fishing boat, face to face with the mighty North Atlantic. One can sense his eager anticipation of nets brimming with haddock as he steers out into the open sea.

Thorbjornson never made it home from a voyage about four years ago. He was skippering an older boat that started taking on water in rough seas. He called some fellow fishermen and the Coast Guard for help and had gone below deck to get his survival suit. That's when a freak wave hit the boat, rolling it over and trapping Thorbjornson below deck.

The other two crew members, who had been on deck, survived by sharing one survival suit (which provides floatation and insulation).

"Fortunately, Gary had managed to get out a May Day call, and the Coast Guard saved his son and a friend," says Gary Libby, also a co-op fisherman and the brother of co-op President Glen Libby. "Now they require you to keep your survival gear in the wheelhouse."

On the other side of the memorial are two lists of names



etched in the stone — 11 local fishermen lost at sea. "These are the lobster boat guys, and these are the dragger guys," says retired fisherman Roger Libby (father of Gary and Glen) as he points to the names, many of whom he knew and worked with over the years. "There's space left for more names, but we hope we'll never have to add to it."

The most recent addition is James Weaver, another Port Clyde fisherman who died at sea about two and half years ago. "It was fall, the last trip of the year, and they had probably gone out further than they should," says Gary.

"They had a big bag of fish on board, and a wave hit them just right," Roger recalls. "That was it — the boat rolled over

The Port Clyde co-op is the last remaining groundfishing fleet in the Midcoast region of Maine.

For every day spent at sea fishing, there is at least one day of boat maintenance needed. In the old days, most maintenance would be hired out. But with profits down and restrictions limiting days at sea, most boat owners have to do their own maintenance, Cushman says.

“We aren’t in it for the money,” he



The seaman’s memorial at Port Clyde honors the memory of fishermen and lobstermen lost at sea, including Gary Thorbjornson (left). Visiting here is Kathleen Starrs, of Cushing, Maine. The memorial neighbors the Marshal Point Lighthouse. USDA photos by Dan Campbell

in cold water.” Weaver never got out.

The only other crew member, Chris Yattaw, managed to climb into a life raft that surfaced, but he had no survival suit. He was in the water from about 1 p.m. until 11 p.m. Luckily, he was spotted by another fishing boat that just happened to come across him in the dark, otherwise he might have died as well.

“Chris is doing plumbing work now; says he’ll never go back to sea,” Gary says. “I don’t blame him, after something like that.”

Most fishermen have had close calls at sea.

Co-op member Randy Cushman says one of his worst experiences came with his then 13-year-old son, Nathaniel, on board. Nathaniel said he wanted to be a swordfisherman when he grew up, even after seeing “The Perfect Storm,” a movie about a New England fishing boat lost in a horrendous storm, Cushman recalls. “But up until then, he’d only been out with me on good days.”

About a week after seeing the movie, Nathaniel experienced fishing on an angry sea.

“We were fighting 40- to 50-knot easterly winds, blowing in the wrong direction. I didn’t know if we were going to make it in.” Then the boat’s transmission broke and it was drifting

continues. “If you are, you’re in the wrong business. When I’m on the water, I’m in my element. I love the independence — being your own boss. But you’ve still got to make a living.”

The economics of fishing have driven some Maine fishermen to relocate down the coast, to New Bedford, Mass., where state law allows them to harvest lobsters in their fish nets at certain times of year. “State law in Maine prohibits that,” says Libby. “In tough times, if you are still selling

fish for 40 cents a pound, you need a supplement. Lobsters provide that to these guys, so that’s why they left.”

Co-op members, however, don’t want to leave Maine. “We want to keep fishing in Port Clyde,” Libby stresses. “We want the future to be here, even after we’re gone.”

How the CSF works

Only a small percent of the co-op’s catch is currently being sold through the CSF or directly to restaurants. Most

toward Old Cilley Ledge, a dangerous tidal ledge.

“We were less than half a mile from that ledge — drifting sideways toward it at 3.8 knots. I’m on the radio

making calls, telling my son to get in his survival suit — which he had been trained to do. But he froze up on me.” Randy’s brother, Michael, had to help the boy into the suit.

“When I realized the anchor wasn’t going to grab, I tried reverse gear, and it took. I had to go full throttle, wide open in reverse into 15-foot seas, which were breaking over the top of us.”

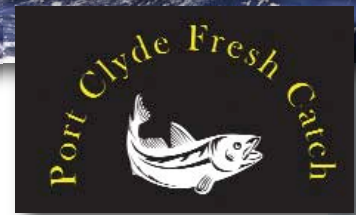
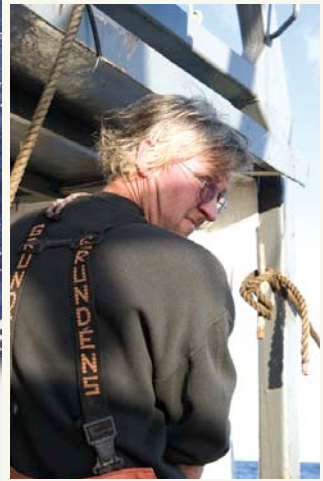
They got home, but that experience was a life-changing event for Nathaniel.

“That tipped the scales for him,” Cushman says. The eighth grader decided this fishing experience “was perfect enough for him.” Today, Nathaniel is the supervisor of Harbor Schools, a home for underprivileged youth, and is working on his Master’s degree. He has never again gone sea fishing.

The seaman’s memorial is just a stone’s throw from the Marshal Point Lighthouse, established in 1834. The lighthouse is seen in the 1994 film “Forest Gump.” In the film, Gump (played by Tom Hanks) ends a cross-country run by jogging out to touch the lighthouse, then turns around and heads back again.

The film has attracted a new wave of tourists, many of whom wind up making the short stroll over to the seaman’s monument. Hopefully, some of them leave with a better appreciation of the side-serving of risk that comes with every seafood dinner.

— By Dan Campbell



of it is still trucked to the fish auction in Portland. But the direct-marketing strategy is still in its infancy, and members are encouraged by the progress to date.

Community members buy shares in the Port Clyde CSF, which entitles them to a fish delivery each week. The co-op has been approached by potential CSF members from other parts of the state. But the logistics have been prohibitive so far. For now, the goal is to build up the local CSF market to where it will support three or four delivery days per week (right now there are just two delivery days).

CSF members get whole fish, which they have learned to fillet themselves. “A lost art revived!” Libby says.

The Good Tern Natural Food Co-op in Rockland (about 15 miles from Port Clyde) doesn’t deal in fresh fish, but it is showing its support for the fishermen’s co-op by allowing the store’s parking lot to be used as the pickup spot for CSF deliveries.

“We support local agriculture, and we are trying to extend that support to the local fishing industry,” says store manager Tim Sullivan. “And we

naturally hope that some of the fishermen’s co-op customers will also come in and buy some stuff that goes good with fish, like fresh corn on the cob.”

Sally Perkins, of Warren, Maine, and a friend went in together to buy a half-share in the CSF, and they trade weeks picking up their delivery at the Good Tern.

“So far we’ve had haddock, cod and flounder,” says Perkins. “Last week I got two haddock; I filleted one and baked the other — it was delicious!

“The CSF is wonderful,” she continues. “I really appreciate that this fish wasn’t trucked all over the nation, burning up carbon fuels, and that I’m supporting the local fishing industry.”

The co-op encourages restaurants to put cards on their tables touting that they serve Port Clyde-caught fresh fish and, thereby, support the home-town fishing fleet. “We’re hearing more reports of people going into restaurants and asking for Port Clyde Fresh Catch,” says Kramar.

Another major marketing goal is to

get better prices for their shrimp by building the domestic market. Virtually all the shrimp is currently sold for export, where prices have been very depressed.

“North Atlantic cold-water shrimp are delicious, and they are not full of antibiotics,” Libby says. A big marketing hurdle is that most Americans insist on over-cooking them, which makes the shrimp too soft and ruins the flavor.

“For perfect shrimp, you just cook them for a minute or two, tasting for the desired texture,” Libby says. “Then immediately cool them with ice water; otherwise, they continue to cook and turn soft.”

Fishing is also good for Port Clyde’s other main industry: tourism.

“The visitors want fresh seafood and they want to see the fishing boats. And they seem to like hearing us talk,” says Libby, smiling at the thought that tourists love those colorful Maine accents.

There can be occasional aggravation if tourists — or “people from away,” as the locals sometimes refer to them — get in the way down at the docks. But the fishermen grin and bear it, knowing

how important the tourist trade is to their town, Libby says. “And we make up for it in the winter, when you can take a nap in the road and not worry about getting run over.”

Legislation sparked co-op formation

The roots of the co-op go back several years to a proposed state law: Amendment 16 to the Groundfish Plan. “We [co-op members] all supported the basic concept of the amendment, which was to come up with specific answers

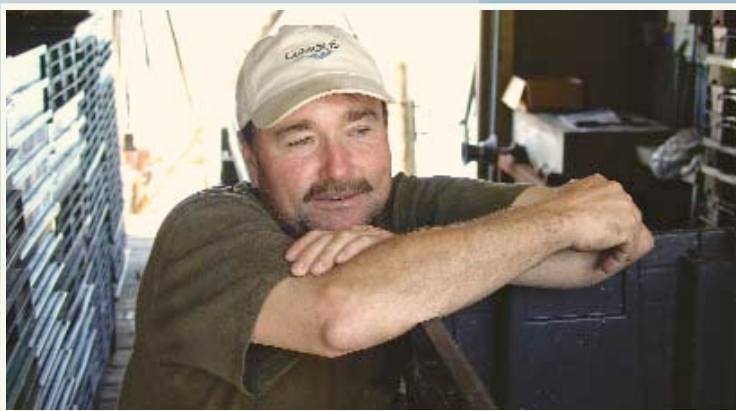
“The trouble with a sector system,” Libby says, “is that the monitoring costs are higher; you must keep track of every fish that comes over the dock and every fish you throw back. That could prove to be prohibitively expensive. I think at the start they’ll wind up going to some type of fleet discard average, until the cost issue can be resolved.”

Such a system will still not be as effective as voluntarily getting people to alter their behavior and simply not fish in areas with high discard rates, he believes. This ties back to the trouble

they are commercially extinct.’ Now there are so many haddock that there is no limit on them.

“So they can say all kinds of things, but the situation can turn around quickly and for reasons the scientists don’t fully understand. A few years ago there weren’t many cod. Now we’re seeing a lot more, so the cod regulations are lightening up. In my mind, I wonder if the regulations really had that much of an impact.”

The biggest concern around Port Clyde at present is the flounder fishery.



“We ran the boats hard in the old days, harder than we should have,” says co-op member Randy Cushman. Photo by Dan Campbell. Facing page (from left): Glen Libby keeps an eye on his nets; Landing a haul on deck (using the older nets here); making a community-supported fishery delivery. Photos by Kim Libby, courtesy Midcoast Fishermen’s Cooperative.

for specific coastal areas,” Libby says. “The current law errs by painting everything with one broad brush. It homogenizes the whole fishery, rather than focusing on specific areas of depletion.”

Port Clyde fishermen first formed the Midcoast Fishermen’s Assoc. (MFA) in 2006 to represent them as a group at state hearings. “We formed MFA to bring a united plan to the table,” Libby recalls. “It turned into a real battle, and in the end it got tabled. But it will be coming back soon as Amendment 17, which will again include area-specific management plans.”

The MFA in turn soon spawned the co-op when members saw that they could also benefit from joint action on the marketing front.

Coming up with a perfect system to regulate the industry is indeed a slippery fish. But MFA anticipates that there will be a new licensing system based on fishing-sector quotas that are applicable to specific coastal areas.

with the current licensing system,

based on allowed days at sea.

“Under that system, you can’t afford to go to sea and look around for an area that has a lower discard rate,” Libby says. “If I steam four hours to get somewhere, the clock is ticking, and I can’t afford to steam another four hours. I have to fish there. Under the quota system, the clock is not ticking, so you can be much more selective about where you fish.”

Environmental theories

Clouding the waters further are various theories about environmental factors — such as global warming and pollution levels — that could be impacting the fishery.

Fishermen take these theories, and the predictions of some biologists, with a grain of sea salt.

“Take haddock, for example,” Libby says. “Ten years ago, we caught one haddock all year. A top scientist working for the state said ‘that’s it, there will never be any more haddock —

“But that could turnaround the same way,” Libby says.

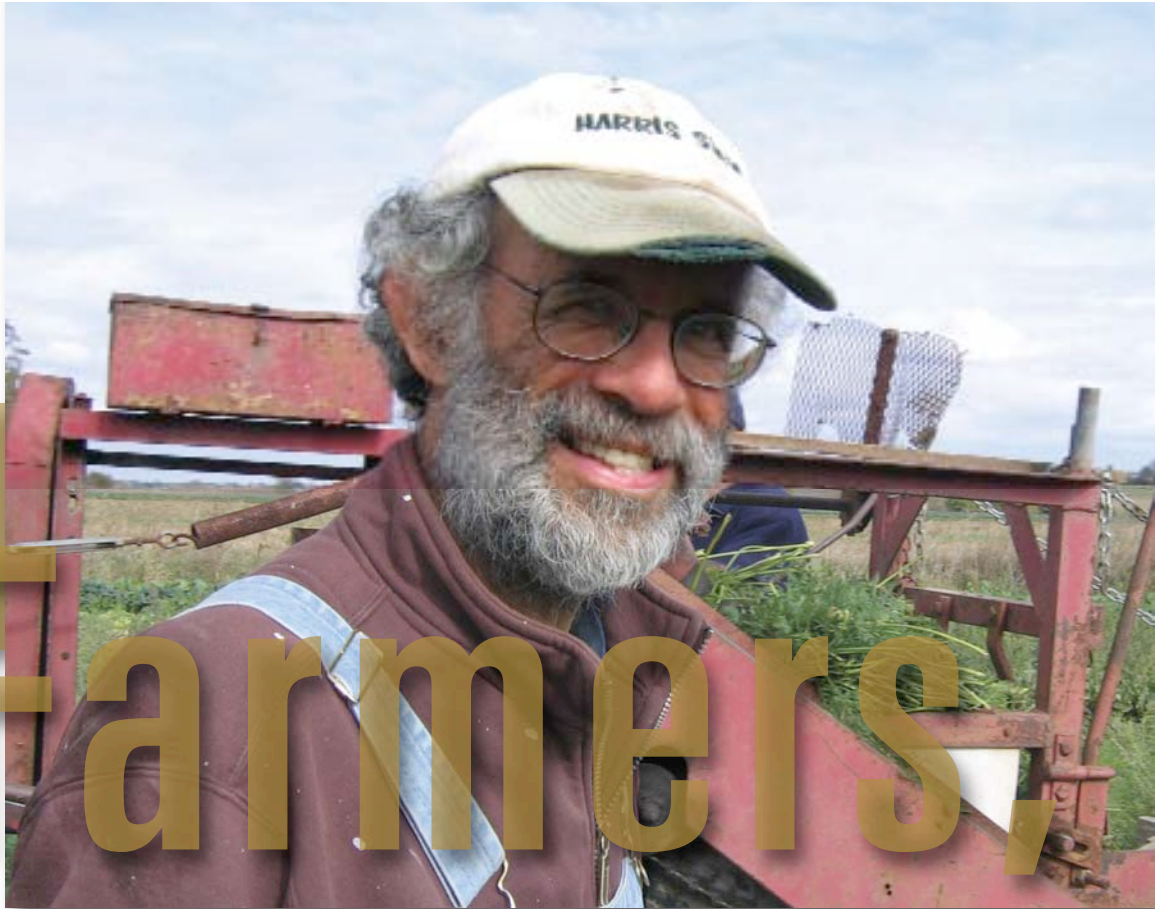
One worry members can soon shed is the condition of the dock they tie up at. This was the last summer using the old dock, which has needed repairs for years, but which Libby says the owner would not agree to make.

The co-op boats will soon instead be tying up at a brand new dock just 100 yards away. The construction was funded through the state’s working waterfront program and two private foundations, which aim to help to preserve sea access for the fishing industry.

“Of around 5,300 miles of coastline in Maine, only 20 miles are left that provide access for fishing operations like this,” Libby explains. “And part of that is in private ownership, so actual public ownership of access to the water is less than 20 miles.”

The fishermen’s co-op will share the new dock with the local lobsterman’s co-op (called the Port Clyde Fishermen’s Cooperative).

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By Alan Borst
Agricultural Economist
USDA Rural Development

Perhaps the world food market won't be quite as global as some have been saying. Increasing U.S. consumer demand for locally produced foods is growing steadily, the trend being driven by a number of factors. These include: food safety issues and the corresponding increased interest in foods perceived to be more healthful; a greater desire to preserve local cultivars or livestock (some of which may not be suitable for commercial shipping or have the yields necessary to serve distant markets); greater concern for the environment and an increased understanding of the importance of maintaining small, sustainable farms on the fringes of urban environments.

Increasing numbers of farmers are selling their crops through local food marketing outlets. The Food Marketing Institute estimates that 68 percent of consumers now purchase locally grown food at least some of the time.

However, growth in the demand for local food has been limited by supply issues.

From local to international sourcing

Over the past half-century, the scale of U.S. food marketing channels has evolved from mostly local, to regional, to national and, eventually, international suppliers.

After decades of concentration and consolidation in the food sector, huge infrastructural gaps have emerged to constrain the potential of local food systems.

Marketing channels and facilities for processing produce, livestock and dairy products used to be more decentralized and local. Now they are controlled by larger and fewer agribusinesses.

Largely because of this infrastructural gap, local food products tend to be more expensive than conventional foods. Under the current agribusiness system, even foods grown in local areas can end up traveling many miles through the transportation network to reach processing plants and distribution centers before returning to retailers in the local area. However, skyrocketing fuel and energy prices have the potential to narrow this price margin.

Traditional local food outlets — such as farmers markets and consumer-owned food co-ops — have seen considerable recent growth. According to USDA, farmers' markets in the United States have grown from 1,755 in 1994 to 4,385 in 2006. The National Cooperative Business Association estimates there are more than 500 food cooperatives in America, many of which were started in only the past few years.

Food buying clubs — groups of people who place warehouse orders together for supplies — are being formed across the country. United Natural Foods, the largest natural food distributor in the country — serves more than 3,000 buying clubs in 34 states. Farm stands and “pick-your-own”



Facing page: Steve Pincus of Tipi Produce, Evansville, Wis., is a member of Home Grown Wisconsin, a co-op of certified organic farmers. Below: Talking about fresh produce at the Sacramento Natural Foods Co-op in California. Photos courtesy pictured co-ops

Co-ops

and Local Marketing



farms are also common direct-to-consumer marketing outlets.

Co-ops leading the way

Food co-ops were at the front of the organic food movement in the 1990s and are again leading the buy-local movement today. The National Cooperative Grocers Association and more than 70 of its members participated in the Eat Local America Challenge this summer, under which consumers were called upon to make 80 percent of their diet local for a set period. The definition of local and the period of time were left to the individual food co-ops.

One service that cooperatives have provided local food growers is certification. As with organics, consumers want to know that foods marketed as local are actually grown locally. The Marquette Food Co-op in Michigan has created its own certification program, called Co-op Preferred, which will involve a farm visit and documentation from the farmer on their production conditions, commitment to the environment and community activities.

The Montana Sustainable Growers Union is operating under a different model. It provides an alternative to formal certification for its producer members by directly promoting relationships and trust between growers and customers.

Scale is another problem that local growers have been able to deal with through cooperation. Restaurants, retailers and other large buyers seeking local foods cannot economically deal with large numbers of small farmers who do not have

the predictable and large volumes that they are seeking.

When small growers have organized a cooperative distributor, they have been able to secure access to some of these large and important markets. They have also been able to more effectively negotiate price and terms of sale.

Farmers markets & CSAs

Many farmers markets have long been cooperatively owned by growers. What is new is cooperation among farmers markets.

Several farmers markets around Ohio recently organized the Farmer's Market Management Network Inc. Goals include promotion of networking among farmer market members, potential joint marketing ventures, resource sharing and training opportunities.

In addition to these traditional channels, local foods have been increasingly marketed under more recently developed business models, such as community supported agriculture (CSA) farm operations, restaurants and institutional food service, virtual farmers market Websites and even regular supermarkets.

While the farmer is managing crop production, consumer-members support the costs of the farm and share the risk and bounty of variable harvests. CSA membership is based on shares of the harvest. Members subscribe or underwrite the harvest for the season in advance.

Every CSA farm has its own season, crops, level of social activities and share prices. According to the Rodale Institute,

the first CSA farms in the nation were started in New England in 1986. Local Harvest, a leading Website of the “buy local” movement, estimates that there are currently about 1,500 CSAs in the nation, of which 1,187 are currently listed in their directory.

Targeting restaurants

Another innovation in local food marketing has been marketing to restaurants, some of which use ingredients from local producers.

A good source for information on restaurants that offer local foods is the Chefs Collaborative, a national network of more than 1,000 members of the food community who promote sustainable cuisine. Founded in 1993, the Chefs

The Midcoast Fishermen’s Cooperative in Port Clyde, Maine, (see cover story, page 4) formed in April 2006 and has adapted the CSA model for seafood. It is using more environmentally friendly fishing practices and providing the freshest, highest quality groundfish to local restaurants and consumers with its Port Clyde Fresh Catch.

Supermarkets adding local option

Some supermarkets and grocery stores have begun to offer a limited selection of locally grown foods. This has offered consumers a convenient way to purchase local items while doing their regular shopping.

There has also been some active promotion of these local food sections. This has mostly occurred within the past decade.

A good example of farmers organizing a cooperative to establish their own marketing infrastructure recently occurred in Missouri. The Sappington Farmers’ Market is a Missouri farmer-owned supermarket that is owned by Farm to Family Naturally LLC, a Missouri Farmers’ Union Cooperative effort. This supermarket offers food products that are locally grown by farmer-members.

An important innovation for marketing local foods is the “virtual farmers’ market” business model. Local farmers and consumers both pay a fee and join as members. Producer members post what crops they have for sale on the co-op’s Website, and consumer-members place orders for what they want to buy at the Website. Growers then bring the produce to one or more



The children of Steve Pincus check on some Brussels sprouts, soon to be marketed by Home Grown Wisconsin. Photo courtesy Home Grown Wisconsin

Collaborative provides its members with tools for running economically healthy, sustainable food-service businesses and making environmentally sound purchasing decisions.

The collaborative publishes a guide, “The Farmer-Chef Connection,” to promote farmer/restaurant collaboration. Its “Guide to Good Eating” helps diners locate chefs in their network.

Home Grown Wisconsin is a cooperative of certified-organic family farms throughout southern Wisconsin. The co-op was founded in 1996 with the mission of delivering local produce to restaurants in Chicago, Madison and Milwaukee. The cooperative has grown steadily, developing strong relationships with local chefs, farmers, schools and food activists.

Since 2003, the co-op has provided a successful and flourishing CSA program for residents of Chicago and its surrounding suburbs. Farmer-members grow fruits and vegetables for weekly delivery to 12 pick-up locations in Chicago.

designated distribution centers for consumer pickup.

The Oklahoma Food Cooperative was founded five years ago as the first virtual farmers market. It only sells products grown or made in Oklahoma. It generally has more than 2,600 different items available each month.

As of June 2008, the co-op has nearly 2,000 members, 125 of whom are producers. The co-op is ringing up \$61,000 - \$65,000 each month in sales.

Variations of this model have been adopted across the country, with similar cooperatives already organized in Nebraska, Texas, Michigan, Idaho and Kansas. Others are being planned in Iowa, Massachusetts and Ontario.

The buy-local food movement is rapidly growing. It is energized by both the family farmers that supply it and the passionate consumers who buy into it. Local food marketing channels have depended upon widespread cooperation among growers and buyers, and it appears certain they will continue to do so in the future. ■

USDA/ARS photo



Tomato growers take big hit in food scare

Like many mysteries, investigators had a difficult time tracking down the culprit responsible for the food poisoning suffered by more than 1,400 people last summer. The first suspect named was fresh tomatoes. Consumers stampeded away from the fruit, including tomatoes that were regarded as safe to eat, resulting in huge losses to the tomato industry. Leaders of tomato cooperatives based in Florida and California say steps must be taken to reduce the possibility of such calamities for agriculture in the future.

By Stephen A. Thompson
Assistant Editor



The first signs of trouble appeared in mid April, when people began coming down with salmonella infections in New Mexico and Texas. Of the more than 1,400 people across the country who eventually became sick from a strain of bacterium known as Salmonella Saintpaul, at least 273 people were hospitalized.

On June 7, the U.S. Food and Drug Administration (FDA) and the Centers for Disease Control and Prevention (CDC) pointed the finger at contaminated tomatoes as the possible culprit. In a press conference June 13, the FDA, which is responsible for dealing with threats to public health using information provided by the CDC, mentioned certain varieties of tomatoes grown in southern and central Florida as possible vectors of the disease. Although three days later the agency said that tomatoes then available to consumers were not

from the same places suspected as sources of the infection, the price of fresh tomatoes plummeted. Huge numbers of the vegetables went unsold, and some farmers had to plow their crops under. Losses have been estimated at more than \$100 million.

Meanwhile, after six weeks of investigation, researchers found the bacterium responsible for the infections: hot peppers grown in Mexico.

Tomato grower reaction

Tomato farmers are angry at what they call an unacceptably long time to identify the real culprit. They point out that CDC — which monitors outbreaks and works with state health officials to identify disease vectors, such as contaminated vegetables — didn't expand its investigation to include other possible sources of infection until late June.

Their cooperative in Florida, the Florida Tomato Growers Exchange, is seeking compensation for growers (federal legislation has been proposed) and is urging action to prevent the same thing from happening again.

Officials of the CDC say that their initial data did point to tomatoes as the culprit, and that tomatoes may indeed have been involved in the original outbreak. They add that the first data implicating tomatoes was reinforced by information gathered from later cases around the country. That, says the CDC, plus the fact that two distinct types of hot peppers turned out to be involved, greatly complicated the investigation (see sidebar).

Florida Tomato Growers Exchange is a cooperative that traces its roots back to co-ops established at the time of the Capper-Volstead Act. The co-op represents 90 percent of the tomatoes grown in the state.

Federal investigators should have consulted more with the producers, who could have provided vital information much more quickly, according to Reggie Brown, the co-op's executive vice president. "They came and talked to us in general terms," he says. "But they didn't allow us to fully participate in the investigation. We weren't allowed to help as much as we could have." Partly as a result, he believes, investigators wasted precious time following up false leads.

The Florida agriculture authorities have a similar complaint. Agriculture Commissioner Charles H. Bronson told a Congressional subcommittee hearing that he could not get the information he was seeking from federal investigators. "We can't help if we don't know what we're looking for," he said.

FDA spokesperson Stephanie Kwisnek disagrees. "The FDA worked closely with retailers, growers, distributors, as



The U.S. fresh tomato industry lost \$100 million during an outbreak of salmonella food poisoning, later blamed on hot peppers from Mexico.



well as state and local regulatory officials during every step of the Salmonella Saintpaul investigation," she told *Rural Cooperatives*. The FDA has testified that inconsistent record-keeping by growers, shippers and distributors hampered efforts to trace the source of vegetables during the investigation.

Traceability a top issue

The ability to trace agriculture products to their source is mandated by the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. Beginning with the grower, each link in the chain of distribution to the consumer is required to keep records of the previous source of each shipment and its immediate subsequent recipient: the so-called "one-up, one-down" requirement.

In testimony before the House Committee on Energy and Commerce's Subcommittee on Oversight and Investigations, representatives of the tomato industry asserted that tracing the origins of tomatoes should have been a relatively easy task.

Tracing the source of the contamination should have taken minutes, not weeks, using electronic recordkeeping, says Ed Beckman, president of California Tomato Farmers, a cooperative formed in 2006 to establish new quality and safety standards for the state's industry.

The cooperative recently carried out a demonstration of traceability using electronically saved date-codes and purchase orders on a shipment of tomatoes sold to a Subway restaurant in Sacramento. Beckman says it took 35 minutes to trace the tomatoes to the field in which they were grown. Moreover, Beckman says, the Minnesota Department of Health was able to determine that tomatoes were not the source of the salmonella outbreak in only two weeks.

Brown wants procedures established that will bring industry representatives into a food safety investigation on a confidential basis. "We need to be able to do that at the drop of a hat," he says.

Despite the industry's unhappiness with the way the investigation was handled, Brown thinks too much blame has been directed at FDA for the problems. "They've been unfairly beaten up over this," he says. "The problem was they were given bad 'epi,' or epidemiological information. Their hands were tied; with bad data, they couldn't get a good answer."

Hot peppers came under scrutiny only after restaurant salsa made with canned tomatoes — which are normally free of bacteria — was identified as a possible vector of the disease.

How the real culprit was found

The struggle to find the source of the salmonella outbreak began in the middle of April, when people in New Mexico and Texas began showing up in emergency rooms and doctors' offices suffering from nausea and vomiting. By the end of May, 19 people, some of them on a Navajo Indian reservation, had come down with the disease.

When salmonella bacteria was found in samples, county health officials interviewed patients to learn what they had come in contact with that might have carried the microbes.

At the same time, bacteria samples were sent to state labs, which used DNA analysis to determine if they shared a genetic "fingerprint," indicating that they came from the same source. It quickly became clear that patients in both Texas and New Mexico were each infected with the same strain of bacteria, from a rare variety known as Salmonella Saintpaul.

The next step was a case control study — another round of interviews based on assumptions developed from the information collected in the preliminary, or "hypothesis generating" questions. In the preliminary interviews, only 5 of 19 patients had said they had eaten peppers other than bell peppers, so no questions about peppers were included in the case-control study.

The questionnaires were tailored to find factors held in common by all the patients, especially types of food they had eaten. Uninfected neighbors were also questioned, to help eliminate common factors not involved in the outbreak.

Initial suspect

The results of the survey, collated in the beginning of June, revealed that 88 percent of the patients had eaten tomatoes — and that sick participants were more likely to have eaten tomatoes than their healthy neighbors, only 64 percent of whom reported eating them. "The big, strong signal we got was: tomatoes — and they may sometimes have been lower-quality tomatoes used in salsa," says Dr. Robert Tauxe, the scientist helping to direct the investigation for the CDC.

It was at that point, June 7, that the Food and Drug Administration and people in the tomato industry were informed that tomatoes were the likely source of the salmonella infections.

The FDA then began attempting to "trace-back" tomatoes eaten by the patients to find the possible source of the bacteria.

By the middle of June, a large number of new salmonella cases showing the same genetic "fingerprint" were beginning to show up across the country. The new patients also reported eating tomatoes at a higher rate than was statistically probable, says Dr. Tauxe, and their answers still did not point to peppers.

Break in the case

The break came when the bacteria showed up in salsa made in a restaurant using canned tomatoes. Canning normally kills the salmonella bacillus and renders it harmless. While its tomatoes were canned, the jalapeno peppers the restaurant used in its salsa were fresh. Another, non-Mexican restaurant linked to salmonella infections used fresh jalapenos as a garnish.

"It was an 'a-ha!' moment," recalls Tauxe. "Those examples told us that something other than tomatoes was causing at least some of the infections."

Meanwhile, attempts to trace suspect tomatoes had led investigators to many different sources. "The tomato trace-backs weren't converging," says Tauxe. "But the trace-backs of peppers did — to the Mexican border crossing at McAllen, Texas."

Samples of peppers taken by the FDA that had passed over the border at McAllen grew salmonella bacteria when cultured. The culprit, it seemed, had finally been found.

It turned out that not just jalapenos were implicated. Mexican serrano peppers, often used by chefs instead of jalapenos, also showed up as a suspected source of contamination. Moreover, the farm to which the contaminated peppers were traced grew both varieties of peppers — as well as tomatoes.

While peppers seem to be the main source of the outbreak, Tauxe believes that tomatoes may still have been a factor, especially in the earliest cases. "Remember," he says, "the farm grew all three items of produce."

The involvement of more than one kind of produce complicated the investigation, he says. "It was a lot of really intense detective work by a lot of people that finally got us to the truth."

— By Stephen Thompson ■

New health and quality standards

Ironically, the state of Florida recently instituted a rigorous standard to prevent chemical or microbial contamination of tomatoes. Florida's Tomato Best Practices Manual was published as a state regulation in November 2007, and took effect July 1, 2008, in the midst of the tomato panic. The 14-page manual mandates conditions for soil testing, irrigation, land use, pest control, cleanliness of agricultural workers, fertilization, harvesting, washing and

sanitizing the fruit, sorting, packing and transportation.

The manual requires recording such variables as the temperature of the water used to wash the tomatoes, the kind and concentration of any chemicals in the wash water, housekeeping and sanitation procedures and other factors. The regulation calls for frequent random inspections by state officials.

While Florida has gone the state-regulation route, farmers

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Editor's note: This article was adapted by Anne Todd from Dairy Lea's "100 Years of Service," a book commemorating the co-op's 1907-2007 centennial.



As of 2007, Dairy Lea had more than 2,300 members and raw milk sales of approximately 6 billion pounds — making it the largest

milk-marketer in the Northeast. Dairy Lea is one of the largest cooperatives in the United States.

This is all the more impressive when you consider that Dairy Lea started in 1907 at a time when U.S. dairymen were in dire straits. They were under the thumb of a powerful, entrenched milk dealer system that set “take it or leave it” prices. Dairymen in those days received as little as two cents per quart, even though their production costs averaged four cents per quart.

Fearing for their livelihood, a small group of farmers from Orange County, N.Y., decided to take a stand against the system. On August 25, 1907, the

Dairymen's League Inc., a bargaining organization, was born, representing 700 dairymen with more than 14,700 cows.

Initially, the League's impact was mostly symbolic. All of that changed, however, in October 1916 and the grim years of World War I. Demand for milk was at an all-time high but prices remained shockingly low.

The League board was bold and set a minimum milk price of nearly a dollar more per pound than the dealer price. As expected, the dealers rejected it. However, the League then called on all dairymen, not just League members, to withhold milk from the market. After an 11-day milk strike, the dealers conceded and signed a contract with the League.

That victory showed Northeast dairy farmers the power of banding together to achieve their goals. As word spread, farmers joined the League in droves. By 1919, membership had surged to 90,000.

However, the battle with dealers, who wielded political and even judicial

influence, was far from over. Dealers and other anti-farm interests tried to maintain control over pricing, taking their case to the courts and the media. In the end — battered but not beaten — the League prevailed, obtaining needed changes to New York state law that allowed dairymen to work together to secure better prices.

Further expansion needed

Despite its success, the longstanding duel with buyers convinced the League that the only way to protect dairy producers' interests was to expand into marketing and sales. In 1920, the League joined with the State Farm Bureau and New York State Grange to create the Grange League Federation (GLF), which helped farmers buy equipment and supplies.


By April 1920, the League was marketing a sizeable portion of milk through its own channels. It also began purchasing dozens of plants in strategic locations, including several previously owned by Nestle Foods.

In May 1921, the Dairymen's League



Dairylea: A Century of Cooperation

Track record shows ability to adapt in tumultuous times



Cooperative Association Inc. was launched. It was a full-scale milkshed-wide marketer for dairymen. As anti-cooperative sentiments began to die down, the stage was set for the League to begin marketing on a wider scale.

Farm organizations at the time were intensifying their efforts to receive government aid, and they were able to develop a “farm bloc” in Congress. On February 18, 1922, the landmark Capper-Volstead Act, legalizing voluntary formation of cooperatives, was enacted. The cooperative played a key role in passage of Capper-Volstead. League vice president and general counsel Judge John D. Miller drafted the bill.

The co-op began marketing products under the Dairylea brand in 1923. Continuing its tradition of bold moves, the brand was rolled out in style. The cooperative presented New York City with a Holstein cow named Dairylea, which eventually took up residence at the Central Park Zoo. It also launched an extensive advertising campaign in greater New York for Dairylea

Dairylea milestones

1922—Key role in passage of the landmark Capper-Volstead Act that legalized voluntary formation of cooperatives.

1923—The co-op begins marketing products under the Dairylea brand.

1927—First to haul milk using tank trucks, a revolutionary concept at a time when the industry was rail-dependent.

1942—First to offer organized home delivery of milk (as part of a larger conservation effort the co-op undertook during World War II).

1952—Net sales at an all-time high — topping all other milk-marketing co-ops in the world. Helps member farms install on-farm refrigerated storage tanks, which leads to establishment of the nation’s first farm-to-city refrigerated tank-hauling route.

Collage and photos courtesy Dairylea

evaporated milk that authorities pronounced “the best ... that New York City has ever seen.”

Depression hits milk market

The onset of the Great Depression reduced the demand for milk. That, coupled with a milk surplus, led to a calamitous drop in prices in the early 1930s. Throughout the decade, the co-op struggled with price issues and instability.

A series of new state laws impacted the market: the Milk Control Law of 1933 created a milk authority to standardize prices, license dealers and oversee production and distribution; the Rogers-Allen Law of 1937 allowed cooperatives to jointly establish prices and marketing programs; and the New York Market Order of 1938 standardized prices based on the product use. Ultimately, the Milk Control Law, which the co-op opposed, was found unconstitutional by the U.S. Supreme Court in 1935. The Market Order, which the co-op strongly supported because it reflected core

cooperative principals, was deemed constitutional in 1939.

The market order helped stabilize prices within the Northeast milkshed. Price issues and controls continued to be a concern into the 1940s, but the cooperative dug deep during the war years to help ensure an Allied victory. Members worked hard to ensure that civilian and military milk needs were met.

Post World War II, milk prices decreased and marketing and production costs were on the rise. Happily, though, sales of Dairylea products continued to increase.

Technological advances benefit co-op

Throughout the 1950s and 1960s, Dairylea experienced turmoil, transitions and growth. Prices were stagnant until the mid-1950s, but the co-op made technological breakthroughs in refrigeration and steel fabrication that revolutionized the handling and transport of milk.

Toward the end of the decade, there was an upswing of prices. By the end of the 1950s, the co-op had thousands of members in five states, and owned and operated more than 67 plants, 21 wholesale-retail outlets, eight manufacturing plants and many ice cream stores.

The 1960s was an era of restructuring for the co-op. Operations were consolidated; outdated plants were closed. Notably, the co-op opened an automated milk plant in Goshen, N.Y., a technological wonder that ushered in a new milk manufacture era.

The mechanized plant could receive, process, package and load 250,000 quarts of milk in eight hours, without the need for manual labor. The project was also financed entirely with the co-op's funds — rare even today.

One of the co-op's biggest changes in the 1960s was when it dropped the Dairymen's League Cooperative name in 1969 in favor of Dairylea Cooperative Inc., to align itself with its wildly popular Dairylea product line. At

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Dairylea milestones

1956—Hopalong Cassidy — a popular cowboy hero from print, film, radio and T.V. — becomes Dairylea's top promoter, appearing on Dairylea products, in ads, and in person at events throughout Dairylea's marketing area.

Selects its first female director, Thelma Brown of Lake Ariel, Pa. At the time, many considered this daring. However, Dairylea had a long prior record of recognizing women's worth and their major contributions on the farm.

1964—Creates the Dairylea Agency Inc., insurance subsidiary to offer group coverage, including workers' compensation, medical, life, disability and retirement insurance, to members. (Subsidiary renamed Agri-Services Agency after offering services to broader ag community.)

1965—Opens a state-of-the-art automated milk plant in Goshen, N.Y.

1969—Renamed Dairylea Cooperative Inc.

1976—Mozzarella production soars to more than 2.6 million pounds (compared to 225,000 pounds in 1975) as pizza becomes a mainstay of the American diet.

1989—Dairylea sells its final processing plant, marking full transition to a milk marketing and services cooperative.

1995—Dairylea markets 3 billion pounds of milk annually.

1999—Dairylea partners with the newly formed Dairy Farmers of America to create Dairy Marketing Services, a Northeastern milk marketing partnership.

2001—Dairylea becomes a member co-op of DFA.

2003—Dairylea joins Cooperatives Working Together, voluntary program to strengthen and stabilize milk prices by better aligning supply with demand.



Co-ops set new records for sales, income

Business volume tops \$146 billion in 2007

Editor's note: Information for this article was compiled by the Statistics Staff of USDA Rural Development, Cooperative Programs: Katherine C. DeVille, Jacqueline E. Penn and E. Eldon Eversull.

Sales by farmer, rancher and fishery cooperatives were the highest ever in 2007, due primarily to increased commodity prices and continued high fuel prices. This is the third consecutive year for record pre-tax net income for cooperatives.

The main increases were in grain/oilseed, dairy, sugar, feed and fertilizer sales. Grain and dairy sales increased due to higher prices while feed and fertilizer sales grew due to increased ingredient prices (feed grains and energy products).

Gross business volume for cooperatives was \$146.6 billion, up \$20 billion from 2006, easily eclipsing the previous record of \$128 billion, recorded in 1996. Marketing, farm supply and service sales all increased (table 1). Both gross and net business volume records were set, continuing the general upward trend in sales that started in 2002 (figure 1).

Net income before taxes increased 21 percent, to a record \$3.8 billion. Patronage refunds grew 30 percent, to \$600 million, up from \$500 million in 2006.

Sugar sales were boosted by the addition of several cooperatives to the database maintained by the Cooperative Programs office of USDA Rural Development. The deletion from the database of a farm supply co-op resulted in a decline in petroleum sales. This farm supply co-op had been more than 50 percent owned by another cooperative; its sales are thus now included in the parent co-op's consolidated financial statements (the acquisition occurred in 1993, so this change in the database was overdue).

Cooperative assets grew, mainly as a result of the increased value of inventories from higher prices of products marketed. Equity capital increased 5 percent, to almost \$21 billion, but remains low at 37 percent of all assets.

Farmer, rancher and fishery cooperatives remain one of the largest employers in many rural communities, with 181,000 workers. The number of full-time employees increased 1 percent, to 125,000, while part-time and seasonal employees decreased 2 percent, to 56,000.

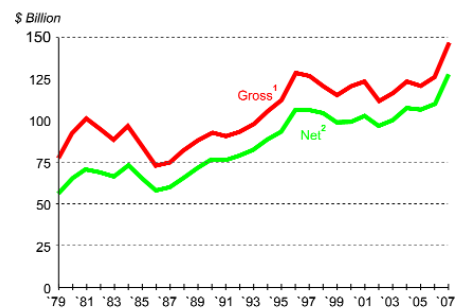
Farm numbers continue to decline and grow in size as do farmer cooperatives. Cooperative memberships were 2.5 million in 2007, down 5 percent from 2006. Many farmers

are members of more than one cooperative, hence cooperative memberships greatly exceed U.S. farm numbers. There are now 2,594 farmer, rancher, and fishery cooperatives, down from 2,675 in 2006. ■

Table 1—U.S. cooperatives, comparison of 2007 and 2006

Item	2007	2006	Change
	Number	Percent	
<i>Sales (Gross, Billion \$)</i>			
Marketing	93.1	76.5	21.76
Farm supplies	49.3	45.9	7.52
Service	4.1	4.1	0.38
Total	146.6	126.5	15.90
<i>Balance sheet (Billion \$)</i>			
Assets	57.1	47.9	19.31
Liabilities	36.2	28.0	29.42
Equity	20.9	19.9	5.13
Liabilities and net worth	57.1	47.9	19.31
<i>Income Statement (Billion \$)</i>			
Sales (Gross)	146.6	126.5	15.90
Patronage income	0.6	0.5	29.79
Net income before taxes	3.8	3.2	21.10
<i>Employees (Thousand)</i>			
Full-time	125.2	123.4	1.44
Part-time, seasonal	56.2	57.3	-1.94
Total	181.4	180.7	0.37
<i>Membership (Million)</i>			
Cooperatives	2,594	2,675	-3.03

Figure 1—Cooperative's Gross and Net Business Volumes, 1979-2007



¹ Includes intercooperative business
² Excludes intercooperative business

Rural Cooperatives 75 Years



Magazine pages reflect co-op progress, challenges, opportunities

By Dan Campbell, editor

Editor's note: The 75th anniversary retrospective of "Rural Cooperatives" magazine that began in the July-August issue continues on the following pages, which provide excerpts from articles that ran from 1970 through the present.

1970s

Seven steps to meet challenges of 70s

In the July 1970 issue of "News for Farmer Cooperatives," Texas A&M University economist William

Black outlines key challenges facing farmer co-ops in the new decade:

"It won't be called the 'Serene 70s.' Instead, it will be known as the 'Severe 70s,' because agriculture will experience a decade of severe change. Ag co-ops will survive not by reacting to change, but by making change.

Their survival is less dependent on what happens on the farm and ranch and more dependent on what happens elsewhere. Without co-ops, we would remain a long way from bringing about equality in trading between producer and buyer. With co-ops, all farmers will be better off.

Strange as it may seem, agriculture will never be controlled through production alone. Marketing will be the critical lever over farming. Up until the present, people in the market have exercised far more influence over the farmer than the farm has exercised over the marketplace. The key in the 70s will be integrated marketing.

How can cooperatives meet the challenges of the decade?

1. Provide Marketing Leadership; 2. Adopt Tougher Production and Quality Policies; 3. Form Joint Ventures;



4. Work with Cash and Contract Markets; 5. Build New and Expanded Markets; 6. Promote Research and Development; 7. Develop Strong Internal Leadership — none of the above can take place without strong leadership in the management office and board room. The key: select the best, and keep them trained."

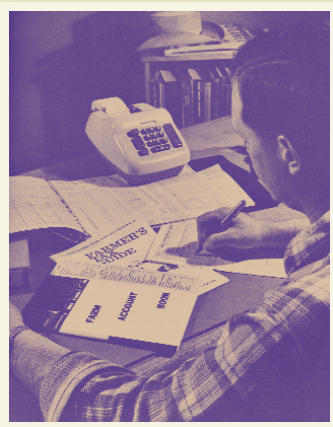
Beware fair-weather members

From the March 1971 issue:

"In our country we have too many fair weather co-op members. These are farmers who will trade at the co-op when the price of fertilizer is lowest, or the price of corn is highest. They are the 'inners and outers.' Members like this can spell only one thing, and that thing is trouble.

No truer words were spoken than those of Benjamin Franklin at the signing of the Declaration of Independence, when he said: 'We must all hang together, or assuredly will all hang separately.' Farmers need to determine who their

of Chronicling Co-ops



friends are...and not work against the best interests of each other."

USDA pledges support for co-ops

In April 1971, Clifford M. Hardin, U.S. Secretary of Agriculture, assures co-ops of USDA's continued support and sees a growing role for co-ops:

"The Department of Agriculture has pledged to help farmers help themselves through



The gap that separates the well prepared from the poorly prepared will never be greater. Staying on course will be a real challenge amidst the turbulence, tension, proliferating technology and diversification of tastes.

The knowledge explosion places a premium upon every business decision — capital investment, product mix or market potential — to the point that a businessman cannot overlook glimpsing into the future. Executives who set their long-range goals in terms of today's population mix may be in for some rude shocks. Population shifts and growth will surely result in a dispersion of business activity and of internal markets."

What young farmers think about co-ops

In November 1972, Editor Gene Ingalsbe writes that co-ops must do a better job of connecting with young farmers:

"Young farmers are perhaps less inclined to use co-ops than are farmers generally. At least two reasons are emerging, and both are disturbing. Young farmers want to 'have their cake and eat it to,' as the saying goes, concerning their relationship to co-ops. Some local co-ops just aren't performing as well as their competitors. One unfortunate conclusion is that both may find themselves out of business unless they change their ways.

These observations come from listening to discussions of young farmers at this summer's session of the American Institute of Cooperatives [and from several other sources].

cooperatives. We feel that the present policy, stated in memorandum last May, is working well. To bring the agricultural industry up to par with other types of business and [raise farm income] is our goal.

Ag exports promise to be a growth area in which co-ops can play a particularly significant part. In this administration, we are placing heavy emphasis on a continued expansion in sales of farm products abroad. The whole subject of trade — developments to come in Europe in particular — is one in which co-ops have a great stake. It will be important that we pool our efforts to reach an understanding that can bring trade cooperation, instead of trade chaos."

Farm Credit managers must confront future

Donald Roark, deputy governor of the Farm Credit Administration, December 1971:

"Memo to tomorrow's managers of ag credit institutions:



Rural Cooperatives

75



WHAT YOUNG FARMERS THINK ABOUT CO-OPS

25 Questions; 19 Answers



Some young farmers see co-ops as “just another business,” not competitive in price, not living up to promises, over staffed,

unprepared to serve modern farmers, competing with each other instead of working together, and so on.

On the other hand, many young farmers just haven't grasped — as is also true of older farmers — that the cooperative is theirs, and when something is not to their liking, it is their responsibility to do something about it. The sense of ownership and responsibility is missing.”

Executive compensation: how co-ops compare

Richard Larson, A.T. Kearney Inc., writes in the April 1976 issue:

Cooperative CEO compensation is a little closer to that paid by other comparable businesses than it was four years ago, according to a study conducted for the National Council of Farmer Cooperatives (NCFC). The top co-op CEO is still making only 70 percent of his counterpart's share in other comparable corporations. But that's up from 66 percent in 1972.

Use of incentive compensation plans is only half that used by other corporations. Salaries for CEOs of co-ops with 500 or more employees ranged from \$200,000 to \$50,000. For those heading co-ops with 75 to 500 employees, the range was about \$125,000 to \$25,000. For 75 or fewer employees, the range was \$75,000 to \$24,000.

Co-op fragmentation in Northeast hurts farmers

Randall Torgerson, acting deputy director for USDA's Economics Statistics and Cooperatives Service, addresses the Northeastern Dairy Conference, as quoted in the June 1978 issue:

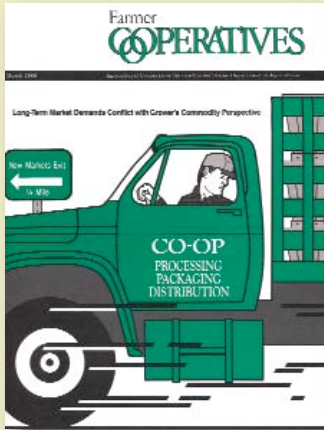
“Nowhere in the country do we find the practice of cooperation in such disarray as in the Northeast... Cooperative structure in the region is highly fragmented. Excluding Virginia, about 150 dairy co-ops are operating in this region. Although about 70 of these are affiliated with three or four co-ops, this is still a large number for a region of this size.”

Several major co-op bankruptcies have occurred in the region in recent years, and five of the largest co-ops have suffered losses. Co-op educational programs at land grant universities in the Northeast are not being maintained, he says, and buyers are effectively playing off handlers against each other. He lays some of the blame for the disarray on the “egos of co-op organizations and leaders,” and calls for mergers leading to the organization of a “dominant regional dairy co-op” as one of several options to improve the situation.

Ag Secretary Bergland testifies before antitrust panel

From James Baarda's September 1978 “Legal Corner” column:

During a hearing before National Commission for the Review of Antitrust Laws and Procedures, Agriculture Secretary Bob Bergland made a strong defense of farmer cooperatives and the marketing order system. “My own view, well supported by history, experience and research, is that the Capper Volstead Act and our marketing order system are in no need of statutory modification... Individual farmers acting alone lack bargaining power in dealing with those who purchase their product. Historically and increasingly, farmers must sell to relatively few buyers that do their processing and distribution of raw ag commodities.”



1980s

Women getting ahead in co-ops

From the May 1980 issue:

Women are getting more active in co-op enterprises. Willadean Chapman has served for five years as manager of Mt. Vernon Farmers' Cooperative in Missouri. When the need arose to open a co-op outlet in Mt. Vernon, the manager at Monette asked Chapman to "keep things together until he could hire someone." But when she showed her managerial skills, the fill-in job became permanent. "We started at zero, but this year we hope to hit \$1 million in sales," says Chapman.

Darlene Nordenhagen is a nine-year member of the board at Farmers Union Oil Co. in Opheim, Mont. The co-op was about to close because of poor management when it voted in its first woman member. The first year was the hardest, when she worked closely for four months with a new bookkeeper to bring some order to the co-op's records. Then she went door to door collecting unpaid bills in her town of 260 people. Because of her efforts, a new bookkeeping system was introduced that has helped the co-op realize gross sales of \$1.5 million in 1980, up from less than \$100,000 when she joined the board nine years earlier.

Why are they attacking Capper-Volstead?

Lee Kolmer, dean of Iowa State University's College of Agriculture, spoke at the Graduate Institute of Cooperative Leadership in Columbia, Mo. From the August 1980 issue:

"The Capper-Volstead Act is under siege. The intensity of the battle varies as the attackers marshal new allies, or lose old allies, and as the defenders are partially or temporarily successful in fending off the legal thrusts of the opponents. Why has the battle become so intense over the last decade?"

Opponents see co-ops assuming large-scale processing, wholesaling and retailing...they see large co-ops merging...and see more and more co-ops selling branded products at the retail level. They think co-ops are becoming indistinguishable from their corporate competitors.

Cooperatives counter that farmer ownership is unique because the objective is to enhance the income derived from farming activities of these farmer-owners. The corporate objective, conversely, is to earn a return on the investment of a diverse set of stockholders."

Secretary Block meets with cross-sector of co-ops

Phil Mills Jr. of MFA Inc. contributes an article in August 1982 about Secretary Block holding a five-hour roundtable discussion with 31 co-op leaders near Knoxville, Ill.:

Ag exports and high interest rates dominated the discussion. "Probably the strongest message may have been that we need to find markets for our products and protect existing markets," Secretary Block says during a briefing for the co-op farm press after the meeting.

"Washington does not realize the impact of high interest rates on agriculture," says Ralph Hofstad, president of Land O' Lakes (LOL) Inc. "Unless budget deficits are faced, interest rates will stay high," he stresses.

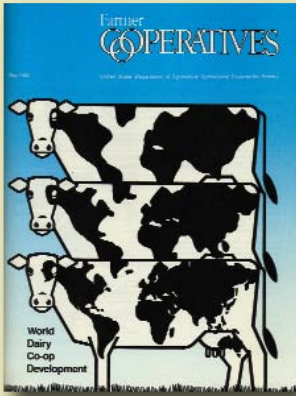
"This is one of the really profitable things the cooperative movement has done," Stanley Greathouse, director with Wayne White Electric Co-op and the National Rural Electric Cooperative Association, says of the meeting. "Many times we don't get our act together as a group."

"Our biggest problem is that cooperatives just don't get together and come across as being united," says Glen Gearing, a Wisconsin dairy farmer and chairman of MSI Insurance.

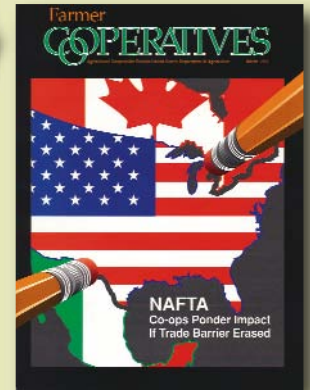
Farm supply co-ops are not credit institutions

From Ag Co-op Service Administrator Torgerson's commentary, September 1982:

"A common complaint heard across the country this year is the difficulty experienced in collecting accounts receivable.



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Most co-ops by now have sound credit policies; those that do not desperately need them.

Local supply co-ops are not credit banks and should not be used as such. Excessive outstanding credit through unpaid bills brings inequity among patrons in a co-op. Those who don't pay up increase the costs for all others. Uneven managing of credit policy also creates ill will and serves as a disruptive force within the organization."

Keep distance between politics, world trade

Dennis Colleran, president and general manager of Tree Top Inc., addresses key trade issues for his apple-processing co-op in June 1984:

"When I pick up a newspaper and read where politicians are threatening to cut off trade of farm goods to a foreign country, I become distressed. Agriculture is not a political ploy. If used as such, we will all lose! The world is shrinking. What is cut off by United States' economic sanctions can be purchased elsewhere...I firmly believe politics and world trade should be kept just as independent of each other as church and state."

Grain co-op policy on risk management

V. James Rhodes, University of Missouri ag economist, based this October 1984 article on interviews with grain traders and finance officers at large regional co-ops and on a survey of 42 Midwest grain co-ops:

"The manager of Co-op X knows the annual audit will reveal a terrible secret. He has abruptly left town, leaving behind a note that says he meant well but can't face his members. (This is a true story, but the name has obviously been changed). The auditors find a loss of \$2 million in the grain business — enough to bankrupt it. The manager had not taken a penny. But he held a large grain inventory, hoping for rising prices in a falling market. The more he got behind, the longer he waited for the market to rescue him.

Could that happen at your co-op? How would you face your membership? Unfortunately, one or more variations of



this story occur every year."

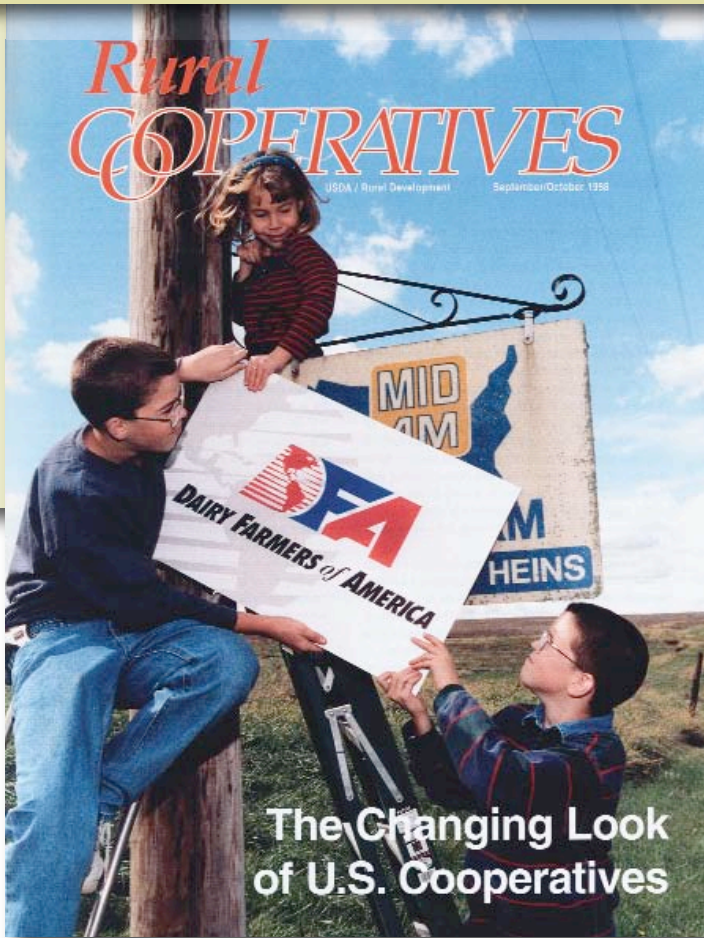
Rhodes goes on to discuss strategies such as diversification, pooling and hedging. "There are two basic rules for your manager to follow in managing risk: thou shall not speculate in the futures market and thou shall not maintain open net positions for each commodity beyond specific bushel and dollar limits agreed upon.

Co-ops should strive to minimize large open positions, which are risky. In open positions, the co-op either holds a large inventory or has made sales of grain not yet purchased, and has no offsetting position in the futures market. Your goal is the management of price risk, rather than its elimination. Whatever strategy is used, the buck stops with the board."

New law encourages merger of co-op banks

Ron Erickson of the Farm Credit Administration provides this update in February 1988:

"In January, President Ronald Reagan signed legislation paving the way for a multibillion dollar plan to aid the financially stressed Farm Credit System, which posted \$4.8 billion in net operating losses from Jan. 1 1985 to Sept. 31 1987. But while the system as a whole wallowed in red ink, the Banks for Cooperatives operated in the black. They



Commitment, Competency, Consistency, Competitive and Customer Focused.” CoBank will be a more efficient organization than were the separate banks, he says.



Co-ops’ share of farm business stabilizes at 25 percent

Charles Kraenzle, director of ACS Statistics and Technical Services staff, writes in March 1990:

“The co-op share of farm marketing and farm production supply expenditures in 1988 remained 25 percent, unchanged from 1987. The shares, however, were down from 30 percent in 1982. Co-ops’ net sales for farm products in 1988 was \$49.1 billion. Co-ops held 76 percent of the milk market, 41 percent of the cotton market, 30 percent of grain and 24 percent of fruits and vegetables marketed.

Co-op share of farm supplies sold in 1988 totaled \$15.4 billion. This included 40 percent of fertilizer, 39 percent of petroleum, 28 percent of farm chemicals, 17 percent of seed and 18 percent of feed.”

Co-ops ideal vehicle to promote rural revitalization

Editor Patrick Duffey highlights a new report, “Co-ops and Rural Development” in the March 1990 issue:

“Cooperatives are a natural vehicle for meeting the needs of rural America. But despite two centuries of use, they are not widely known in the United States outside certain sectors. Current conditions in rural areas suggest now may be the time for cooperative activities to meet a broader scope of needs.

Traditional rural economic activities — such as farming, forestry, mining and manufacturing — are generating fewer new jobs. Much of the rural infrastructure built to support those activities — roads, bridges, telecommunication networks, water and sewer systems — is worn out and obsolete. Many young people are leaving rural areas to pursue more promising opportunities. While rural areas must

would have had net earnings of \$211 million for the period had it not been for the financial assistance they provided to troubled institutions. That assistance will be repaid, under the terms of the new law.

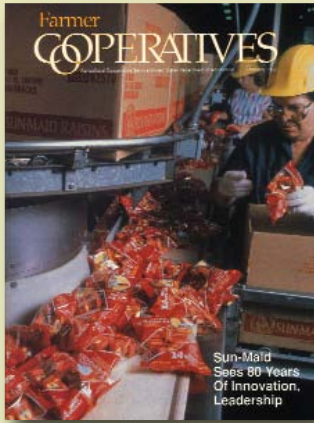
And even though they were not part of the problem, solutions embodied in the Ag Credit Act of 1987 hold the prospect of change for the Bank for Cooperatives, as well as other parts of the Farm Credit System. If stockholders of eight or more of the district Banks for Cooperatives approve a merger plan, those banks and the Central Bank for Cooperatives will be merged into a single bank called the National Bank for Cooperatives.” Such a bank would also better be able to serve the needs of borrowers who have “outgrown” the present system, according to a study commissioned by the National Council of Farmer Cooperatives (NCFC).

CoBank looks to build momentum

W.M. “Malcom” Harding, CEO of CoBank, discusses the newly created co-op bank he leads in the May 1989 issue:

“The new CoBank (National Bank for Cooperatives) began operations Jan. 1 on a solid base with more than \$12 billion in assets, \$9 billion in outstanding loans and a capital base of \$803 million. The bank represents the consolidation of 11 financial organizations. The merger took place in less than six months.

Five fundamental standards will guide the bank:



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face competitive disadvantages, co-ops can organize local people into stable organizations to solve local problems.”

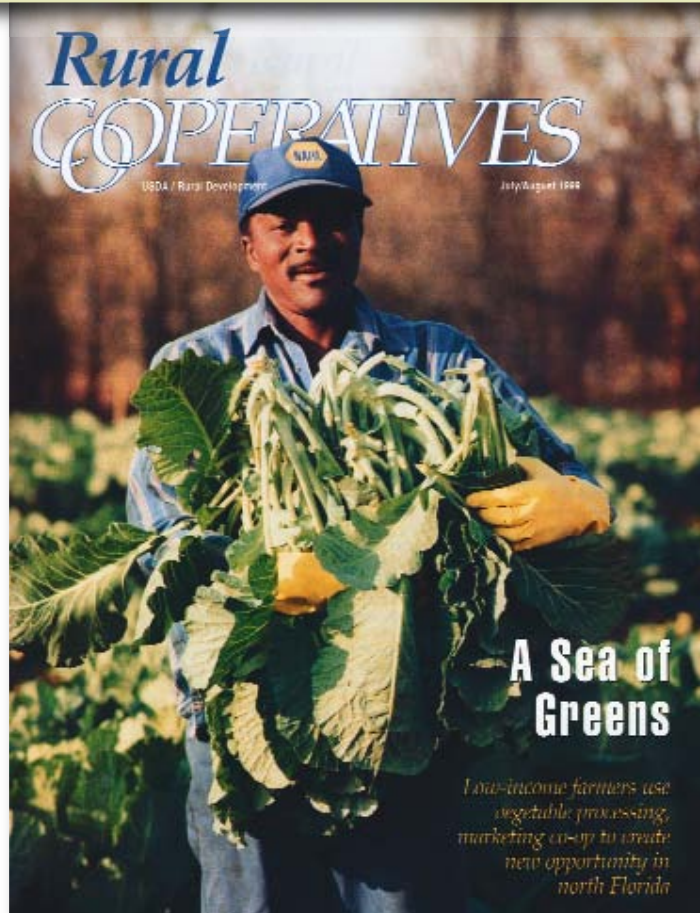
Saving the black farmer

In the May 1993 issue, Editor Dan Campbell examines ways in which co-ops may help to secure a future in agriculture for black farmers, whose numbers have plummeted:

“A \$100,000 investment for a new packing shed may not represent a major investment in the annals of farm lending, but it is a huge step forward for the Indian Springs Farmers Association in southern Mississippi. The 40-member vegetable growers’ co-op currently field packs or rents space in a state-owned packing facility. With a packing shed of its own, the co-op expects current annual sales of \$200,000 to double in its first year, rising to \$1 million in three years and creating three to seven new jobs.

In this way, growers who join the co-op hope to avoid joining the ranks of black farmers who have left the land. Once a basic part of the rural landscape in the south, black farmers today are an “endangered species.” In 1910, there were 1 million black farmers in the United States who owned 15 million acres, mostly in the South. By the 1960s, the ag census showed that black farmers owned just 6 million acres. Today, there are just 20,000 who own only about 2 million acres.

“There is no government program that will return this



wealth to us, or help us protect the land and other resources that remain. We must do this job for ourselves, with the sympathetic supporters and allies that we can find,” says Ralph Paige, executive director of the Federation for Southern Cooperatives.”

Ignorance kills co-ops

From the June 1993 issue:

“According to one estimate, 55 percent of all Americans belong to a cooperative. Yet 90 percent of them probably don’t realize it. Even if they are aware of it, the majority have little real understanding

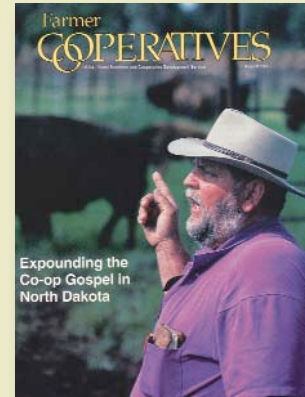
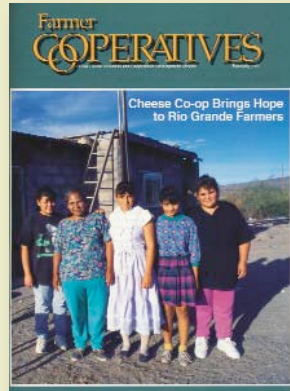
of what a co-op is or how it functions. So much for the state of co-op education in America.

At a time when the need for co-op education is as great, or greater, than it has even been, the trend is going in the opposite direction — toward a reduction in the level of co-op literacy nationwide. In high school and colleges the general decline in ag courses has been paralleled by a decline in cooperative education.”

Changing tides

Campbell addresses how the “rural shakeout” is affecting farmer co-ops in Kansas:

“Rarely has so little yielded so much. With a miserly sky



that drops an average of only 19 inches of rain per year, the farmers of western Kansas produce one of the greatest bounties of food harvested anywhere on earth. Dryland wheat fills huge white grain elevators that seem to rise up like clockwork every 10 or 12 miles across the High Plains.

The rural infrastructure of western Kansas is an odd mix of feast and famine. Some regional trade centers, such as Dodge City and Garden City, are experiencing explosive growth and scrambling to cope with overcrowded schools and housing shortages. Meanwhile, many of the surrounding towns are struggling just to hang on to their last store or café. Indeed, if anyone ever discovers a market for boarded-up store fronts, they could get rich in the small towns of western Kansas.

The declining farm population, combined with the trend toward greater concentration of business in regional trade centers, has siphoned away business from small town merchants. As a result, “plywood curtains” covering storefronts give stark evidence of the shakeout in the rural economy.”

Breaching the fortress

Gene Ingalsbe, recently retired from ACS, reports on his trip to Albania as part of a team from Volunteers in Overseas Cooperative Assistance (VOCA):

“Only the shell of a processing and manufacturing sector remains in Albania. The skeletons of closed and partially dismantled manufacturing plants can be seen everywhere — monuments to the failure of the centrally planned economy.

Perhaps most striking is evidence of an all-consuming fear that gnawed at the nation’s communist leaders. Some 700,000 domes, reinforced-concrete military bunkers, dot the countryside. Vineyards contain concrete posts tipped with iron spikes, meant to skewer paratroopers — all built in fear of an invasion by American troops.

The Americans have finally arrived, but instead of coming with guns, they are extending the hand of friendship. Albanians are literally leaping forward in adopting private

enterprise. Changes are visible almost daily. Yet “cooperative” is a dirty word here. Cooperatives under the former Albanian regime were state owned and controlled and often highly inefficient. They did not resemble the private enterprise cooperatives found in the United States.”

Fair trade prescription

In August 1984, USDA Ag Economist Alan Borst sees a major role for co-ops in combating unfair trade practices:

“When the ship Pioneer Reefer unloaded 700,000 trays of New Zealand-grown kiwifruit in Tacoma, Wash., in late 1990, it touched off a heated international trade dispute. It caused a rising tide of imported fruit to swell into a glut. As a result, U.S. kiwifruit prices plunged to \$415 a ton, down from more than \$1,000 a ton three years earlier. During that three-year period, N.Z. kiwi exports to the United States tripled.

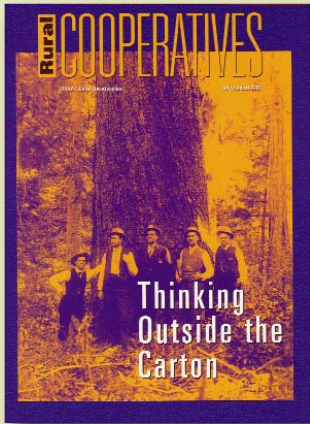
The industry’s two largest cooperative handlers of kiwi — Blue Anchor and Calavo Growers — responded with an anti-dumping petition, which eventually resulted in a 98.6 percent anti-dumping duty on imported kiwifruit from New Zealand.

In an industry with a significant co-op presence, co-op members often play a key role in state marketing orders and commodity commissions. These institutions frequently initiate anti-dumping or countervailing duty cases to help avoid the “free rider” problem that can occur if one co-op pays all the legal costs and takes all the risks while other firms share in the benefits of a legal victory.”

Cheese co-op brings hope to Rio Grande farmers

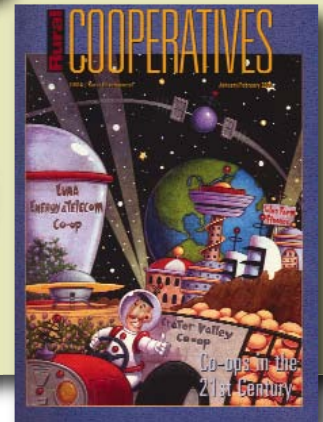
In the February 1995 issue, USDA Ag Economist Jerry Namken and Editor Dan Campbell report on an effort to help low-income Hispanic farmers in the Big Bend area of southwest Texas form a dairy goat co-op:

“Para los niños [for the children]. That’s why we have worked so hard to establish this cooperative,” says Sergio Hernandez, gesturing toward a new goat cheese factory which should be operational by this spring. For Hernandez



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and 18 other members of the Big Bend International Dairy Goat Association, the cheese plant represents more than a promising economic development project; it is the primary hope for the future of the village and the means by which their children may be able to break the cycle of rural poverty endemic to the area.

Two-thirds of the families here exist below the poverty level, with an average annual income of only about \$4,000. Most families receive food stamps and commodity distributions from USDA. The median education level is eighth grade.

Playing a key role in the co-op formation has been the Rev. Melvin La Follette, assisted by USDA's Rural Business and Cooperative Development Service, which is providing technical expertise and economic assistance to help the co-op clear the final hurdles. The initial marketing plan calls for the co-op's cheese to be sold to retail outlets in nearby markets, such as Presidio, Texas, and Ojinaga, Mexico."

Goat cheese is a staple of the Hispanic diet, but as recently as the 1970s, virtually all goat cheese in the United States was imported. Dairy goats are ideal for small farmers because they have a high-production yield in comparison to what they consume.



Fuel for thought

In April 1995 David Morris, vice president of the Institute for Local Self-Reliance (ISLR), discusses "an emerging carbohydrate economy," and what it could mean for cooperatives and rural development:

"The carbohydrate economy offers an organizing principle that can bring together those who focus on rural development, those interested in environmental protection and those who reduce government spending. Bio-refineries (a term coined by ISLR) are attractive for several reasons. They tend to be environmentally benign because they are based on renewable feedstocks and are often based on biological processes. In the ideal bio-refinery, the wastes of one part of the production

process becomes food for the other part.

Bio-refineries are also attractive because they are locally based. Plant matter is bulky and expensive to transport. The plant matter will tend to be processed in the regions where it is grown. The modest size of bio-refineries means that they can become important engines of rural development. It also means they lend themselves to cooperative ownership.

We are beginning to look with new eyes at our biological resources. In so doing, we may be redesigning the shape of our future economy and ushering in a renaissance in rural America."



Facing page: Lowell Forman of the Country Natural Beef co-op in Oregon. This page: a Midwest ethanol plant.

In the crab's claw

In November 1995, Campbell reports on a fishing village's hope that a new crab- meat packing co-op can revive the economy of their Chesapeake Bay island:

"The town of Tylerton, Md., has been losing population since the turn of the 20th century. Events of the last few years have left people wondering if slow death is the only future for Tylerton, one of three small communities on Smith Island. The latest blow has been a threat by state health inspectors to shut down Tylerton's crab-meat packing industry. It's almost as if the town is trapped in a crab's claw that is slowly, steadily closing on it.

To save the crab-meat picking industry, women on the island formed a co-op. After a three-year struggle, Smith Island Crab Meat Co-op Inc. has secured funding for a picking and packing facility, which should be in operation by next summer's harvest. "The co-op is the last gasp for this island," says one member."

Hope for the Hmong

In a special issue in 1997, Field Editor Catherine Merlo reports on how Hmong refugees from Laos hope to create a better way of life in Central California, using a farmer co-op:

"An estimated 100,000 Hmong, former refugees from Southeast Asia, are now living in California's San Joaquin Valley. They are leaders in Fresno County's strawberry and cherry tomato industries, growing nearly 90 percent of those two crops.

But something hasn't been working for the Hmong. Most of the Hmong have yet to step into the mainstream of American life, with some 70 percent of Fresno County's Hmong receiving public assistance. They are studying a form of business that could lead to economic self-sufficiency for their people: a cooperative.

With the help of several organizations, including a \$60,000 grant from USDA's Rural Business-Cooperative Service, the organization has launched the Hmong Economic

Development Pilot Project. The new venture is exploring the feasibility of forming a marketing co-op for Hmong-grown fruits and vegetables."



Co-op Share of Farm Market hits 30 percent

In the January/February 2000 issue, Charles Kraenzle reports on the co-op share of farm products marketed:

"Farmer co-op's share of total farming marketings — including crop, livestock and poultry sales — was 30 percent in 1998. That's up from 29 percent in 1997, but below the 32 percent level reported in 1996. Total co-op marketing business volume for the year was \$76.6 billion, down slightly from the record of \$79.4 billion set in 1996. A major factor for the increase was cotton and cotton seed sales, which rose to 43 percent of the market in 1998, up from 38 percent the year before.

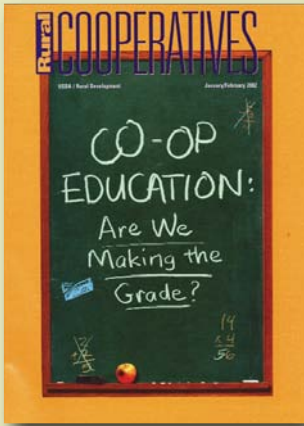
Co-ops' market share of major farm production supplies — feed, seed, fertilizer, crop protectants and petroleum — was 29 percent in 1998, unchanged from 1997. Net sales of farm supplies by co-ops was \$24.6 billion, down slightly from the record of \$25.2 billion in 1997."

Seeing the forest for the trees

In January/February 2000, Field Editor Pamela Karg writes about co-ops promoting sustainable forestry and tapping into "green" trends:

"We're committed to managing our forest lands in a sustainable way, logging them with discretion and building efficiencies into how we prepare that lumber for the marketplace," says Tom Thieding, president of the Sustainable Woods Cooperative in southwestern Wisconsin. Almost three years old, the co-op includes 85 members who own 10,000 acres of woodlands that stretch across some of the same landscape that Frank Lloyd Wright and John Muir called home.

Three hours away, a second sustainable forestry project is



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This page: fires burn at the Pentagon on 9/11/01. Facing page: The Southern Plans Co-op elevator still stands in Kansas following a devastating tornado; Brian Miles harvests corn for Mid-Missouri Energy ethanol.

taking shape in the Mississippi River coulee region north of LaCrosse, Wis., and Winona, Minn. Other woodlot owners across the two states are also discussing sustainable forestry practices and the formation of co-ops to process and dry the harvested wood.

Credited with helping to give birth to these new cooperatives is Jim Birkemeier. "When I started talking about sustainable forestry, all I did was get people irritated," he recalls. "The industry was making big money off the forests, and the landowners didn't think their timber was worth managing." But now the concept is steadily spreading.

Consolidation in the heartland

In the Nov./Dec. 2000 issue, USDA Ag Economist Anthony Crooks takes a closer look at grain co-op mergers and acquisitions during the mid 1990s:

"When the directors of two small cooperatives in North Dakota approached USDA Rural Development in 1997 for technical assistance regarding a possible merger, they probably had little idea how large a trend they were joining. About 95 other grain co-ops merged or were acquired in 1997. Both of these Dakota co-ops — one petroleum and farm supply co-op with grain assets, the other a grain elevator co-op — were seeking to strengthen their operations and improve financial performance.

In addition to consolidating assets, these cooperatives wanted to expand a rail load-out facility owned by one of the co-ops and to add an agronomy center near another facility. They also wanted to reduce grain shipping costs and generate additional revenue from spring fertilizer sales.

Both co-ops and their plans were soon superseded by an even bigger merger: that of Cenex and Harvest States. The



merger of two giant regional co-ops was the biggest in a recent tide of mergers, consolidations, alliances, joint ventures and acquisitions that swept over the

U.S. grain industry." The small Dakota petroleum co-op was an affiliate of Cenex and a competitor of Harvests States. Thus, the merger and improvement plans of these two small co-ops were placed on an indefinite hold because of the merger of the two regional co-ops."

Co-ops respond to terrorist attacks with aid, calls for unity

In the Nov./Dec. 2001 issue, USDA's Patrick Duffey describes the response of co-ops to the Sept. 11 terrorist attacks on America:

"Co-ops across the country were quick to respond to the terrorist attacks with offers of assistance to victims and calls for national unity. For example, West Central Cooperative in Iowa donated 20,000 gallons of soydeisel to New York City to help fuel equipment used in removing debris from the disaster site. The National Milk Producers Federation in Washington, D.C., working with Dairy Relief Inc., established a special fund for dairy farmers and other interested parties to donate money to the victims of the Sept. 11 terrorist attacks.

The Cooperative Development Fund in Washington also set up a relief fund for the victims. The National Credit Union Assoc. is providing grants of up to \$15,000 to aid five low-income credit unions in New York City. At Southern States Co-op in Richmond, Va., \$13,000 was collected from employees for the American Red Cross relief efforts. The



CHS Foundation matched \$30,000 from local co-ops and CHS employees for the United Way's Sept. 11 Fund."

Making the grade

Brett Fairbairn, director for the study of co-ops at the University of Saskatchewan, writes that all North American co-ops will be in trouble without more attention to co-op education:

"We must distinguish co-op training from co-op education. Training imparts specific, predetermined facts, procedures and skills. Education develops in people the capacity to know what is important, how to do something and how to find the information and skills they need. Cooperatives have gotten by for decades by doing a great deal of training — particularly of staff and elected leaders. But in the new information age, they have to go back to doing more education, especially member education. This must be a new and innovative kind of education.

Grade for Board Education: B. Education of directors improved dramatically in the 20th century, with emphasis on helping directors understand their role as key decision makers in setting policies that guide the co-op. But recent co-op failures indicate a need to do more in this area. Directors often need to serve as a counterweight to strong managers.

Grade for Member Education: C. Too often, member education programs do not convincingly show members why their cooperatives are needed. In addition to co-op basics, members need to be educated about the economy they are in. If they understand this — including emerging trends and where the economy is heading — they will understand why they need co-ops."

Taking it to the next level

The success of a small Florida vegetable co-op leads to a network of similar co-ops. From the Sept./Oct. 2002 issue:

"New North Florida Cooperative is a new-generation co-op formed by small-scale vegetable and fruit farmers in the

Florida panhandle to create and expand marketing and processing opportunities for its members. When they operated individually, they were "price takers," members say. The co-op has enabled them to become "price makers," by taking greater control of their products and providing member-growers with bargaining power in the marketplace.

From its initial success helping members sell collard greens and other crops to a local school district, this Florida co-op has now expanded its scope of operations to 15 school districts in three states, added product lines and increased the level of value-added preparation and packaging. It has also created a network of similar co-ops which are working together to expand value-added processing and marketing opportunities for small-scale farmers." USDA Rural Development is helping the effort with a \$327,000 Rural Business Enterprise Grant.

Bargaining is big for small business

In the March/April 2003 issue, USDA Ag Economist Bruce Reynolds examines resurgence in bargaining cooperatives:

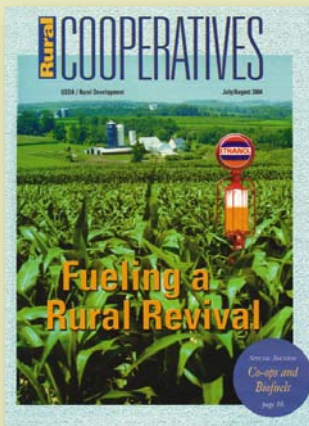
"At least 250 purchasing co-ops currently operate in the United States. About 50,000 businesses are members of purchasing cooperatives, with membership having doubled in the past decade.

The traditional practice of purchasing co-ops is to capture discounts by buying in large volumes and providing cost savings with wholesale distribution for their members' retail businesses. This *modus operandi* is frequently used by co-ops whose members are in the grocery and hardware business.

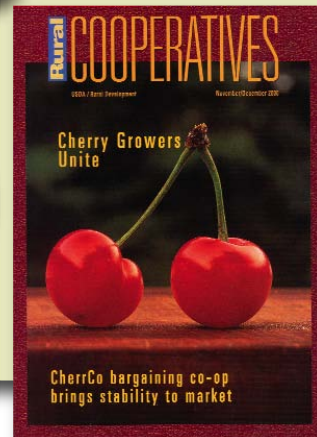
Many recently formed purchasing co-ops operate instead by negotiating a standard contract for members who then make their own individual transactions according to the negotiated terms. Members have the flexibility to address contingencies not covered by, or in conflict with, the contract negotiated by their purchasing co-ops."

The closure dilemma

USDA rural sociologist Thomas Gray says conducting



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business in a way that helps keep both members and the co-op in business can sometimes be a challenge. From March/April 2003:

“Press coverage of member reaction to recent closures of several local grain elevators by a regional co-op underscores one of many dilemmas faced by co-ops in maintaining business for member users. Changes in farm production toward fewer, larger farms can pressure boards and management to consolidate operations — particularly grain and farm supply co-ops in Midwest and Plains states. Closures of facilities can improve survivability of larger co-op businesses, but may also compromise the survivability of local farmers.

Negative reactions to the closures may be quite intense, and loss of farmer loyalty and survival may further strain the co-op. How to conduct a business for members in way that helps keep both members and the co-op in business is becoming a growing challenge in many parts of the nation.”

Greener pastures seen for bio-tech co-ops

In March/April 2004, Assistant Editor Stephen Thompson writes that new bio-based products may only be scratching the surface of the potential bio-products revolution:

“What do lubricating oils, diesel fuel, glues, plastics, paints, solvents and packing “peanuts” have in common? If you thought “petroleum,” you’re only partly right. Other raw materials can also be used for their production, including those grown on farms. The manufacture of new “bio-based” products to replace or

supplement non-renewable materials may provide new opportunities for farmer co-ops to add value to members’ crops.

The Farm Security Act of 2002 requires federal government agencies to buy officially designated, bio-based

products whenever possible for purchases of \$10,000 or more. Production of ethanol and biodiesel for fuel additives are the most common bio-products produced by co-ops. Farmer-owned ethanol plants — both as traditional co-ops and LLCs that operate like co-ops — are springing up like mushrooms across the Midwest.”

One bio-based cleaner advertises that it is “powerful enough to clean battleships, yet mild enough for kittens,” while better for worker and environmental safety.

Fueling a rural revival

Campbell reports on the impact of an ethanol plant on one rural Minnesota town in the July/Aug. 2004 issue:

“It started as the dream of farmers and the managers of the local electric co-op who were searching for ways to add value to corn and help stabilize electric rates. The Chippewa Valley Ethanol plant outside Benson, Minn., has not only accomplished that, it has also been the sparkplug that ignited efforts to reverse the rural decline Benson seemed locked into for a time.

“If you go back 15 years, Benson was facing a malaise like that of so many other rural towns with slowly declining populations, loss of jobs and eroding tax base,” says plant manager Bill Lee. “The people of Benson are survivors and have a very progressive business philosophy. They were willing to vote with their pocketbooks — to invest their money in the future of the community.”

In the years after the ethanol plant opened in 1995, the business community launched a concerted effort to keep a farm-manufacturing plant in town when it appeared likely to move, and the plant soon expanded. They raised \$2.5 million to remodel the local hospital...and attracted a biomass plant that will burn turkey litter to generate 55 watts of electricity. The success of Chippewa Valley and the town go hand in hand and are indicative of “the power of people working together in co-ops,” says Jan Lundebrek, president of a local bank.





Price crisis prompts potato growers to form national co-op

Stephen Thompson reports in the March/April 2005 issue:

“United Fresh Potato Growers of America was organized March 3 in Washington, D.C., during the meeting of the National Potato Council. The co-op hopes to become an umbrella organization for a network of state co-ops that will monitor the potato market and encourage farmers to take voluntary action to limit potato production when required to keep prices at, or above, a break-even level.

Whatever the cause in the slump in potato demand, the impact on prices has been dramatic. Bulk prices for fresh potatoes now hover around \$2 per hundredweight — \$2.50 below the price producers say they need to stay in business.”

A perfect storm

In March/April 2005, Campbell reports that the trustee for Farmland is suing ex-officers and directors for “gross negligence” in the co-ops’ collapse:

“In its final years, Farmland Industries was trapped in a ‘death spiral of debt,’ made worse by a series of business blunders that provide evidence of reckless and negligent behavior by the co-op’s managers and board,” according to a lawsuit filed by the estate trustee for Farmland. The result was the largest co-op bankruptcy in the nation’s history. The board was little more than a rubber stamp for management’s high-risk ventures, the lawsuit says, and directors repeatedly failed to demand that obvious alternatives be explored.

The 34-page lawsuit reads bit like a “how-not-to-run-a-cooperative” primer, complete with lessons in throwing good money after bad. The lawsuit provides a detailed look into how Farmland tried to grow its way out of debt by taking on even more debt as it constructed major new facilities and acquired another failing farm supply business. In the end, Farmland succeeded only in swamping itself in an ever-deepening sea of red ink, which led to its bonds being downgraded to “junk” status. That in turn led to a ‘run on the bank’ by panicked bondholders when press reports picked

up on the co-op’s intensifying financial problems.”

Wind power energizing rural America

USDA Ag Economist Alan Borst, writing in the Nov.-Dec. 2007 issue:

“Wind energy is a bright spot on the rural economic development horizon. Wind power projects across rural America contribute to local and regional development. The wind energy industry creates new jobs and new sources of revenue for farmers and ranchers, and it increases the local tax base of rural communities.

Wind turbines generate homegrown energy that helps secure America’s energy future during uncertain times while reducing pollution and conserving water resources. Wind energy is the fastest growing energy source in the world, and numerous rural communities are reaping the benefits.”

Co-ops get serious about renewable energy

Rural Development staff writer Lindsay Atwood reports on formation of a new “super co-op,” in the July/August 2008 issue:

Electric co-ops across the nation are banding together to do what co-ops do best: pool resources for the greater good of everyone involved. In this case, they are joining to form the National Renewable Cooperative Organization (NRCO), essentially a “super cooperative” made up of many individual rural electric co-op utilities. NRCO will identify viable renewable energy projects and make them available to its members to help co-ops diversify their portfolios. NRCO provides the added benefit of helping co-ops in some states meet the Renewable Portfolio Standards.

“As a generation and transmission co-op in central and western Kansas, we realized that we have substantial wind resources,” says Earl Watkins, CEO of Sunflower Electric Co-op. The question is: “How can we help other G&Ts who don’t have the resources in their back yard that we have in our back yard?” The answer, he believes, is the NRCO. ■



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

Farmer Co-ops Conference focus on strategy, finance

The 11th annual Farmer Cooperatives Conference will be held Nov. 18-19 in St. Paul, Minn. “Cooperative Strategy, Structure and Finance” is the theme for the conference, sponsored by the University of Wisconsin Center for Cooperatives.

“Today’s farmer cooperatives must pursue growth opportunities to remain competitive, and simultaneously assume more risk to meet supply-chain cost pressures,” explains Anne Reynolds, assistant director of the UW Center for Cooperatives. “The equity and capital management issues that result are major drivers for a cooperative’s strategic planning and decision-making process.”

This year’s program will explore the innovative structural and financial strategies that cooperatives are adopting to meet these challenges.

The national conference, Reynolds noted, offers a unique opportunity for cooperative board members, CEOs and others doing business with agricultural cooperatives to explore these issues. Experienced cooperative business leaders and knowledgeable experts will share their insights on topics that include: strategies for growth, managing risk, cooperative finance strategies and case studies of equity and finance strategies employed by individual cooperatives.

For more than a decade, the Farmer Cooperatives Conference has provided a stimulating forum for those in the agricultural cooperative community to learn and exchange ideas. The UW Center for Cooperatives is assisted by a national planning committee of cooperative scholars and practitioners in organizing the conference.



Agriculture Secretary Ed Schafer confers with NCFC President and CEO Jean-Mari Peltier at USDA headquarters. Peltier recently left NCFC and is now working with the grape and wine industries in California. USDA photo by Ken Hammond

The annual meeting of NCERA-210, which promotes and coordinates research on agricultural cooperatives, will follow the Farmer Cooperatives Conference on November 19 and 20, at the same location.

Updates on the conference and registration information will be posted at: www.uwcc.wisc.edu/farmercoops08. Questions about the conference can be directed to Anne Reynolds at (608) 263-4775, or atreynol@wisc.edu.

Peltier leaving NCFC to lead grape/wine group

Jean-Mari Peltier, CEO of the National Council of Farmer Cooperatives (NCFC), resigned Aug. 31. Peltier, who had been at NCFC for four and a half years, is leaving to lead the newly formed National Grape and Wine Initiative (NGWI) in her home

state of California.

“Jean-Mari has revitalized NCFC during her term as president, and leaves behind a healthier and more vibrant organization than she inherited,” says NCFC Chairman Bill Davisson of GROWMARK. “On behalf of the members of the Council, I thank Jean-Mari for her hard work on behalf of America’s farmer-owned cooperatives, and I wish her well in her new endeavors.”

During her tenure, Peltier refocused the organization, expanding NCFC’s policy agenda to include a broader range of issues affecting cooperatives and their producer members. Under her leadership, NCFC refined its strategic vision to represent the policy and business interests of members, reflecting the changing farmer cooperative business structures and

practices in a rapidly changing global marketplace.

“I feel honored to have been able to work for an outstanding organization and a wonderful membership for the past five years,” says Peltier. “While I look forward to returning to California and getting NGWI up and running, I will truly miss the hard-working and exceptional staff at NCFC, as well as the supportive and engaged members of the Council.”

NCFC Chief Economist Terry Barr is serving as interim president as the board searches for the next CEO. Chairman Davisson has named a special committee of the Executive Council to work on the search and will be engaging an outside executive search firm to assist in the vetting process.

Correction: A photo of NCFC’s annual Co-op Country Barbecue at USDA headquarters printed in the July-August issue of *Rural Cooperatives* incorrectly identified Bill Davisson as sitting next to Ag Secretary Ed Schafer. That is actually NCFC Senior Vice President Randy Jones.

United to expand feed facility

United Cooperative, Beaver Dam, Wis., has approved plans to expand its feed and grain facility in Sauk City, Wis. Additions include a 400,000-bushel grain bin, movement of an existing 20,000-bushel wet bin, a new 4,700-bushel-per-hour dryer, two new 10,000-bushel-per-hour legs and one new grain receiving pit.

“The addition of the 4,700-bushel-per-hour dryer offers a total drying capacity of 6,700 bushels per hour at the United Cooperative feed and grain location in Sauk City,” says Mark Wiegel, the co-op’s grain operations manager. “Together, these changes result in larger storage capacity to serve customers, faster unloading for grain customers bringing their harvest into the elevator, and more efficient service to the feed mill.”

“This is an exciting step for our state-of-the-art feed mill in Sauk City,”



A major expansion is underway at United Cooperative’s feed facility in Sauk City, Wis. Photo courtesy United Cooperative

commented John Scheuers, vice president of feed operations for United Cooperative. “Currently, a feed mill employee has to spend about four hours per day hauling grain from the existing grain bins over to the feed mill for use in animal feed rations. This new equipment will free up that time for other work and offer greater convenience for serving customers in Sauk City, Prairie du Sac, Lodi, Reedsburg, Loganville and surrounding areas.”

The new system should be operational by Oct. 15, 2008.

Formed in 1936, United Cooperative is a full-service cooperative offering feed, grain, agronomy and energy products and services to south-central Wisconsin farmers and consumers.

Cal/West opens new HQ

Cal/West Seeds, the largest member-owned U.S. cooperative devoted exclusively to the seed business, has opened a new headquarters on 70 acres



Cal/West Seeds has opened a new headquarters on 70 acres near Woodland, Calif. Photo courtesy Cal/West Seeds

of rural, Sacramento Valley land near Woodland, Calif. Co-op leaders says the 12,000-square-foot complex is a state-of-the-art facility that will keep the co-op on the leading edge of seed science.

Cal/West offers genetics, seed production and conditioning. It started one of the first private forage breeding programs in the United States. The co-op’s basic seed production is focused on alfalfa, safflower, clover, sudangrass, dichondra, sunflowers and teff grass. All of the seed subsequent grasses are primarily used for animal forage, or to maintain nutrient levels on farmland where forage grasses are grown.

Long-range goals of Cal/West have been described by company President and CEO Paul Frey as being focused more on biotechnology and growing crops in harsh soils. “We are investing today, realizing there are numerous challenges to overcome both from a scientific as well as a political view,” Frey says.

Virginia to build seafood market

Plans have been announced to build a 39,000-square-foot Eastern Shore Seafood Market on state-owned land near Melfa, Va. The new facility, to be built within two years, would be next to the Eastern Shore Farmers’ Market. According to a report in the *Eastern Shore News*, the facility will include warehouse storage, coolers and two blast freezers.

The nonprofit seafood market will follow the same model as the farmers market, with space leased to shippers and brokers. Watermen also will be able to rent storage space for their catch on a per-package basis, according to the press report.

The idea for a seafood market goes back a decade, when the Eastern Shore Marketing Cooperative board — which is responsible for operating the farmers market — decided watermen would also benefit from the central marketing and storage at a market similar to the farmers' market, which has since handled more than \$100 million in vegetables from local farms since it opened in the early 1990s, the *Eastern Shore News* reported.

The Virginia General Assembly has approved issuing bonds to fund construction of the \$5.4 million project.

Webster Scholarship fund launched

The CHS Foundation has provided initial funding to launch the Ralph K. Morris Foundation's new Elroy Webster Cooperative Studies Fund, a program which provides a scholarship and honorary award to graduate and law students interested in agriculture and cooperatives. The scholarship program was created in memory of Elroy Webster, a Minnesota farmer and CHS Inc. leader who helped drive historic joint ventures and mergers of U.S. agricultural cooperatives.

Webster established the CHS New Leader Program for farmers and ranchers and created a grant-based funding program for cooperative, agricultural and rural development projects through the CHS Foundation. He was also involved in a wide range of organizations, including FFA, Agriculture Future of America, the Ralph K. Morris Scholarship Foundation and the Agriculture



Elroy Webster

Council of America.

"Elroy Webster was one of the most influential figures in agriculture and cooperatives in the last half century," says William Nelson, president of the CHS Foundation.

Application forms and additional details can be found on the Ralph K. Morris Foundation website: www.ralphkmorrisfoundation.org.

AGP announces sale of AGP Grain Ltd.

Marty Reagan, CEO of Ag Processing Inc. (AGP) has announced the sale of AGP Grain Ltd. (a wholly owned subsidiary of AGP Inc.) to Columbia Grain of Portland, Ore. The sale includes AGP Grain Ltd. assets in Minnesota and North Dakota. Terms of the transaction were not disclosed.

"We have worked for many years with Columbia Grain to market grain from the Upper Midwest," said Reagan. "We have continually looked at ways to best serve producers in this region. Our mutual conclusion is that this agreement will move toward that goal, given Columbia Grain's direct link to a multitude of domestic and international markets. This transaction will also enable the AGP Grain Group to

reposition its grain assets to better serve its customer base."

Columbia Grain was formed in 1978 and operates 38 grain elevators in the western United States, including an export terminal in Portland, Ore.

AGP Grain Ltd., formed in 1994, operates elevators and terminals in North Dakota and Minnesota, including an export facility in Duluth, Minn. The company also

has merchandising offices in the Minneapolis Grain Exchange and in Antwerp, Belgium and Barcelona, Spain.

Gary Olsen, AGP senior vice president for grain, said the sale does not include AGP's interest in Maple

River Grain and Agronomy LLC, in Casselton, N.D.

GROWMARK purchases fuels terminal

GROWMARK Inc. has purchased the Menard County refined fuels terminal near Petersburg, Ill., from Magellan Midstream Partners L.P. Continued operation of the 10-million-gallon facility, first opened in the 1980s, will enable GROWMARK to ensure a continued supply of refined fuels and solidify the cooperative's commitment to the energy business, according to Shelly Kruse, the co-op's Energy Division manager.

In addition to refined fuels, GROWMARK will add biodiesel to the



GROWMARK has purchased this refined fuels facility near Petersburg, Ill.

mix of refined fuels available from the terminal.

The Menard Terminal will expand GROWMARK's supply capacity and facilitate continued growth, Kruse says. "With the addition of the Menard Terminal, we will be able to more easily take advantage of market opportunities and better serve our customers," she said. Magellan will continue to deliver refined fuels into the Menard terminal via its Midwest pipeline system.

In other action, GROWMARK has also acquired Waterloo (Iowa) Service Co.'s facilities in Waterloo, which it plans to use for an expanded truck shop and bulk lubricant storage and distribution operations.

Illinois & Iowa co-ops announce mergers

Ludlow Cooperative Elevator Co.,

Ludlow, Ill., and Danforth-Gilman Grain Co., Danforth, Ill., merged operations on Aug. 1, and will now operate as Ludlow Cooperative Elevator Co. “Both companies have served their area farmers-owners’ grain handling needs for more than 100 years, and we look forward to building on our historical success as we work together to build an even more successful future,” says Bruce Bastert, general manager.

The newly formed company will operate 10 grain elevators in Champaign, Ford and Iroquois Counties. More information about the cooperative is available at: www.ludlowcoop.com.

In northwest Iowa, Midwest Farmers Cooperative and Alceco have signed a letter of intent to merge, according to a report in the *Sioux City Journal*. Members were to vote on the merger in September.

USDA awards \$677 million to rural electric cooperatives

Agriculture Secretary Ed Schafer in August announced the selection of 20 rural utilities and cooperatives to receive almost \$677 million in loans for new electric lines and system improvements in 19 states. “America’s electric co-ops provide a vital service to rural areas, electrifying communities, serving farms, businesses and homeowners,” Schafer said. “Electric co-ops do it with a remarkable track record of reliability. The loans we’re announcing today will help make system improvements that will benefit consumers across the nation.”

The loan funds will finance the construction and repair of over 4,200 miles of distribution and transmission lines benefiting almost 40,000 rural electric cooperative consumers.

For example, East Central Energy in Braham, Minn., has been selected to receive a loan of more than \$49 million to serve 4,600 new consumers in Minnesota and Wisconsin. The utility will make system improvements to construct and upgrade over 700 miles of distribution lines.

Suwannee Valley Electric Cooperative in Live Oak, Fla., has been selected to receive an \$18 million loan to build or improve almost 325 miles of distribution lines and provide service to almost 3,700 new consumers. Central Electric Cooperative in Parker, Pa., will receive a \$17 million loan to build and improve more than 400 miles of distribution lines and provide service to almost 1,400 new consumers.

The funding is being awarded through USDA Rural Development’s Utilities Programs, which Congress authorized under the Rural Electrification Act of 1936.



East Central Energy received a \$49 million loan from USDA to serve 4,600 new consumer-members.

USDA Rural Development has awarded approximately \$28 billion in electric loans since 2001.

Funding of the individual recipients is contingent upon their meeting the conditions of the loan agreement. For a list of all loan recipients, visit: www.rurdev.usda.gov.

CHS Crop Nutrients expands Texas distribution facility

CHS Inc. is constructing a crop nutrients warehouse/terminal at the company’s Friona, Texas, grain-handling facility. The expansion will include a 29,000-ton fertilizer warehouse, two load-out towers for straight or blended orders and additional rail receiving equipment to handle 110-car trains. Plans call for the plant to be completed by late spring of 2009.

“CHS Grain Marketing brings grain to west Texas to serve feedlots and dairies, and now CHS Crop Nutrients will use some of the same assets to position fertilizer imports from its deep-water port in Galveston, Texas, to serve west Texas customers,” says Cheryl Schmura, CHS vice president of Crop Nutrients.

A&P Growers Co-op acquires Arizona orchards

An irrigation water shortage in California has spurred Tulare, Calif.-based A&P Growers Cooperative to leave the state for additional pistachio acreage. The nut growers’ cooperative has purchased Tucson-based Pistachio Corp. of Arizona for an undisclosed price, according to a report in *The Packer*, an industry trade journal.

“We had planned to plant additional acres in Lost Hills, but because of the water situation we decided against it,” Jim Zion, managing partner of Meridian Nut Growers LLC, Clovis, Calif., the cooperative’s marketing arm, told *The Packer* in

July. The Arizona company is the state’s largest pistachio grower-shipper, with 700 acres of orchards, Zion said.

Student-designed device may protect utility workers

Engineering students at Johns Hopkins University in Baltimore have invented a tool that allows utility workers to disconnect power lines from residential transformers at a safe distance, beyond the range of dangerous electrical arcs. Their prototype, built at the request of a local utility company, consists of a lightweight aluminum frame that uses rope and lever-and-pulley system to enable the worker to detach a transformer’s power connector, known as a load-break elbow.

This operation sometimes triggers an

explosive arc that can cause serious skin burns and eye injuries. Such arcs can

travel as far as eight feet from the transformer, but the students' device

Wheat co-op pays record dividends

Editor's note: The following article by Dan Wheat is reprinted courtesy the Wenatchee World.

Central Washington Grain Growers Inc. allocated a record \$2.5 million in dividends to its 1,500 grower members for its fiscal year ending March 31, 2008, mainly because of increasing wheat prices, the cooperative's manager says. The dividends were announced and half were paid at the co-op's annual meeting June 19 in Waterville, attended by 218 members, said Kevin Whitehall, manager.

The remaining half of the 2007 dividends will be paid in future years. Typically, the co-op pays dividends over 10 to 12 years, but currently it is paying on a four-year cycle because of its healthy financial condition, Whitehall said.

The co-op paid off the balance of its 2004 dividends and one third of its 2005 dividends, which totaled \$606,507. Combined with half of the \$2.5 million, a total of \$1.856 million was paid back to members at the meeting, he said.

Over the past seven years, the co-op has paid growers \$9.9 million in dividends (an average of 10.96 cents on every bushel delivered) while putting \$3.68 million into capital improvements and increasing the amount of working capital (cash available) by \$2.6 million, he said.

"We've done a lot. We've been aggressive in paying back dividends while still doing capital improvements and increasing working capital," Whitehall said.

The storage and marketing cooperative spent \$920,000 in capital improvements in 2007, including a new 247,000-bushel grain elevator in Withrow, he said. The co-op spent \$178,000 on capital expenses in 2006.

The cooperative made \$2.98 million

in net income after taxes at the end of its fiscal year on March 31, 2008, compared with \$2.21 million in 2007, Whitehall said. Grain Grower dividends totaled \$1.6 million on the 2006 crop, \$1.3 million on the 2005 crop, Whitehall said.

Wheat prices climbed to record highs in the past year, largely because of the second year in a row of drought cutting Australia's wheat crop in half, tight world stocks and unusually high market volatility.

The total crop received in 2007 was 13.2 million bushels compared with 14.3 million bushels in 2006, a 10 percent drop due to dry growing conditions, Whitehall said.

This year it looks like the crop will be about 12 million to 12.5 million bushels and will be a week to 10 days late in harvest because of cool weather.

State Rep. Mike Armstrong of Wenatchee was honored as the co-op's "Legislator of the Decade" at the annual meeting for his lead role in saving the Coulee City to Cheney short line railroad operated by Eastern Washington Gateway Railroad, Whitehall said. A past operator planned to close and salvage the line for lack of revenue, but the state bought it in 2006 and kept it open, he said.

The co-op ships about 50 percent of annual production from Grant and Lincoln counties to Cheney over the line. Douglas County production is trucked to Wenatchee and shipped to Portland, Ore., by rail or trucked to the Tri-Cities and barged to Portland.

"Saving the line is a benefit for our growers," Whitehall said. "It saves them thousands of dollars for many years to come." ■



Johns Hopkins University students test a new safety device they designed to aid electric line crews.

would enable workers to disconnect the line from 10 to 12 feet away.

Johns Hopkins undergraduates Kyle Azevedo of Bridgewater, Conn., Julie Blumreiter of Muskego, Wis. and Doo Hyun Lee of Seoul, Korea, developed the device as part of project in an engineering design class.

For more information, visit: www.me.jhu.edu/.

Knouse to cease applesauce production at Inwood plant

Knouse Foods Cooperative Inc. has announced plans to shut down its applesauce production operation at Inwood, W. Va., on Nov. 14. It will maintain warehousing, storage and distribution business there, according to a report in the *Hagerstown Morning Journal*.

About 90 people work at the Inwood plant. The co-op plans to offer employees positions at other Knouse plants in Pennsylvania.

Co-op President and CEO Ken Guise said the decision was a result of the continued decline of apple supplies in the area and the need for major infrastructure improvements to facilities at the Inwood plant, the *Journal* reported. "Housing developments now stand where orchards once were, and there's been a continuing decline in cases produced at the plant, a function of fewer apples received," Guise said in a press release. He added that Knouse needs to be where their growers and apples are.

Pennsylvania-based Knouse Foods' 1,500 members grow fruit along the Appalachian Mountains and throughout the Midwest. ■



Co-ops urged to get involved in Co-op Month '08

By Carissa Heckathorn
National Co-op Business Assoc.
Manager, Marketing & Multimedia



For more than six decades, co-ops of all types all across America have united to celebrate October as Co-op Month by promoting co-op awareness. Even if your co-op has not yet planned any Co-op Month activities, you still can (assuming most of you will read this article about the first week in October). But there's no time to lose!

“Last minute shoppers” can use advertisements, brochures and other materials developed by the National Co-op Month Planning Committee to help co-ops promote themselves and the contributions co-ops make to our society. Go to: www.coopmonth.coop to download materials.

Here are some examples of what others are doing to observe Co-op Month.

■ **New 'Go Co-op' Website** — The National Cooperative Grocers Association (NCGA) is launching its redesigned www.go.coop Website as part of the 2008 program to continue providing a destination site for U.S. consumers to find out more about all types of co-ops. NCGA reached out to the cooperative community for stories from cooperatives everywhere, asking for anecdotes from employees and members to showcase the human impact of cooperatives in every sector. The updated Website goes live Oct. 1.

■ **Day in the Life** — NCBA just updated its *A Day in the Life of Cooperative America* booklet, which all cooperatives can purchase to use and display. This in-depth publication spotlights each cooperative sector, and recently won honors at the 2008 Cooperative Communicators Association conference. For a PDF of the booklet to post on your Website, or ordering information for copies, go to: www.coopmonth.coop. “This booklet is something all co-ops should share with their members,” says Adam Schwartz,

NCBA's vice president of public affairs and member services. “The booklet offers compelling stories and anecdotes which points out the value of cooperatives.”

■ **Reaching the next generation** — The Co-op Month committee recognizes the value of communicating to, and recruiting, the “Millennial generation” (those born after 1977) to support cooperatives. Research shows that younger people entering the workforce want to support companies with a corporate social responsibility strategy, so the Co-op Month Committee partnered with the “October is Co-op Month, but I Cooperate All Year Long” Facebook page to deliver updates on Co-op Month activities. Facebook, one of the most popular social networking sites, unites people who share the same passions and provides another venue for networking. To see the power of this social networking tool for cooperators, go to: www.facebook.com and register for a



Facebook account. Once that's complete, you can enter the term “Co-op Month.”

■ **Co-op Month items at Zazzle.com** — Every marketer knows the power of brand recognition. That's why the committee is providing a venue to purchase Co-op Month branded items through Zazzle.com. When you purchase the items featured in the Co-op Month gallery, the Co-op Month committee receives 10 percent back. Visit www.zazzle.com and search for “Co-op Month.”

■ **Co-op Arts and Crafts Auction** — The Cooperative Development Foundation (CDF) also celebrates Co-op Month. “A Celebration of Co-op Arts and Crafts” runs the entire month of October. This online auction of arts and crafts — produced and sold by co-ops around the country — goes to the various cooperative development funds.

■ **Run for co-ops** — CDF also sponsors the Race for Cooperative Development, which raises funds for its operations. This year's race will take place Oct. 18 in Arlington, Va. For each \$100 donated to the race, individual donors receive a \$10 credit for the Arts and Crafts online auction. See www.cdf.coop for more details. ■



Housing crises presents opportunity for co-ops for low- & moderate-income people

By **E. Kim Coontz**
CooperationWorks!

History tells us that times of economic and social struggle create opportunities to implement non-traditional problem solving strategies. The crisis in the housing market creates an opportunity to promote cooperative housing to communities looking for viable solutions, particularly in addressing home ownership for low- and moderate-income households.

Fueled by a combination of good intentions and data showing that home ownership positively affects everything from improved school performance in children to reduced criminal activity, an array of programs involving public funds were created to generate home ownership opportunities.

While government supported lending programs such as Fannie Mae and Freddie Mac assist a wide range of income groups, a number of other programs specifically target low- and moderate-income households that have not previously owned a home.

Traditional assistance programs for these people help them purchase single family homes with down payment and loan-qualifying assistance. This funding strategy has inherent flaws that have effectively squandered public funds and left many beneficiaries worse off than they were before the assistance.

First, they lack effective strategies for preserving affordability when the initial household changes ownership so the subsidy benefit is not passed on to subsequent homeowners. Second, the financial monitoring mechanisms used have proven ineffective as many of these buyers refinanced to predatory, sub-prime lending schemes. Many of them ultimately lost their homes, causing federal, state and local agencies to lose their investments and leaving beneficiaries of the program homeless and with credit scores so low that even rental housing is difficult to obtain.

Avoiding flaws of traditional programs

Cooperatively owned manufactured home parks and limited-equity housing cooperatives are models of home ownership for low- and moderate-income households that do not have the flaws of traditional programs.

Public subsidies used in either of these housing models are



Members of Green Pastures Senior Housing Cooperative in Redmond, Ore., sign share-purchase agreements.

prudently invested because they include built-in mechanisms for preserving affordability over time and because the financing structure of cooperatives insulates the project from problematic refinancing schemes.

When subsidies are involved, beneficiaries of these programs typically exchange the assistance they received for a share of the re-sale appreciation value of the dwelling they own.

The exchange still reaps benefits for the cooperative member, whether it is a manufactured home park or a limited-equity housing development. In either case, membership includes entitlement to cooperative ownership and a voice in the community.

Cooperative housing members are no longer vulnerable to a landlord's decisions to raise rents, sell land or delay repairs on critical infrastructure (such as water lines, sewage, roads and electricity). Cooperative members gain payment stability, asset investment and control over how funds are allocated to infrastructure repairs and improvements.

Remarkable features of cooperatives include social and community building mechanisms.

Green Pastures Senior Co-op

Last spring, residents of a central Oregon manufactured home park unanimously voted to form Green Pastures Senior

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Charting a New Course

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“In some places, lobstermen don’t get along with people who drag — there are gear conflicts and such,” Libby says. “But we are fortunate in that we work well with the lobstermen’s co-op — we’re all a pretty tight group here in Port Clyde. We’ve all grown up together here, and are all friends and neighbors. We all realize the importance of both fisheries to the town and general economy of the

state.” Some members belong to both co-ops.

Is there a potential for the two co-ops to merge?

“I think it can happen as we move forward with the marketing plan. There are a lot of opportunities for joint marketing and developing the Port Clyde Fresh Catch brand.”

Co-op members must vote to allow any new members to join, and several have in the past year. Members buy a share of stock for \$100, which is refundable if they leave.

“Honesty, a sense of cooperation and support for our commitment to sustainability are the main things we look for in new members,” Libby says.

Lest one think the life of a Maine fisherman is all work and no play, Libby was just about to depart on a camping vacation to the mountains when interviewed.

“Don’t forget your fishing rod,” he is reminded.

“No fishing rods!” he replies. “We’ll climb a few mountains. But, no fishing on this trip!” ■

Feeling the Squeeze

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in California have taken a different tack. California’s regulatory and political climates are not conducive to establishing state regulations on agricultural produce, according to California Tomato Farmers, so the co-op was set up two years ago to institute voluntary standards.

The co-op’s Fresh Standard is compatible with the Florida Best Practices Manual, approved by the U.S. Department of Agriculture (USDA), and calls for inspections carried out by USDA officials. It also covers issues of social accountability and sustainability.

A member of the cooperative who fails to meet safety requirements loses membership and is no longer eligible to use the Fresh Standard logo (see illustration, page 14) on his product. California Tomato Farmers says it represents the producers of 80 percent of the tomatoes grown in California.

Tim McCarthy, president of the Central California Tomato Growers Cooperative, a tomato packer and shipper in Merced, is skeptical about the need for government benchmarks and the Fresh Standard. He believes that the need to satisfy consumers’ concerns about the safety of the food they buy is the biggest incentive producers and shippers have to maintain top standards.

“Growers already have to meet stringent requirements for food safety,” McCarthy says. “In this business, everybody has standards you have to meet. State standards are usually just watered-down versions of the ones our wholesale customers demand.” Even so, he says of the Fresh Standard, “More power to them.”

Sales drop hurts California too

While Florida tomato growers suffered huge losses, McCarthy says that California growers weren’t, as a whole, hurt badly by the tomato scare.

“The issue was perceived as a Florida and Mexico problem,” he says. “California tomatoes were designated as

‘safe to eat.’” As a result, the demand for California tomatoes actually rose. While tomato prices in his area are usually about \$5 a box, McCarthy says that during the height of the scare in July, he was seeing “anywhere from \$6 to \$7 or \$8.”

“There may be long-term damage to the tomato market,” McCarthy says, “But for now we’re doing okay.”

Ed Beckman disagrees. “Right now, FOB prices to the grower are running about \$3 per box,” he says. “I’d hardly say that California growers have not been impacted by this outbreak.” He points to AC Nielson figures saying that retail sales of fresh tomatoes are 20 to 40 percent below what they were before the scare.

“Prices pre-Salmonella were \$13 to \$15 per box,” Beckman says. “Right now [late August], a consumer is paying \$3.49 a pound for California tomatoes at two major retailers — the same tomato that’s being sold by the grower for about \$3 for 25 pounds. These numbers raise any number of questions about the impact on California growers and consumer demand.”

In any case, “The fact is that this wasn’t a salmonella outbreak from the United States. The salmonella came from Mexico,” McCarthy says. “The real story is the need to control imports at the border.” In fact, recent news reports indicate that nine shipments of salmonella-contaminated peppers had been stopped at the border over the previous 12 months.

Will establishment of tighter sanitary standards such as the Florida Best Practices Manual and the California Fresh Standard make a difference in a future infectious disease investigation? The argument can be made that rigorous standards would allow investigators to quickly eliminate from their investigation produce grown and shipped under those requirements.

However, the biggest benefit is likely to be increased consumer confidence. Scientists looking for the source of a virulent, possibly fatal disease, faced with the evidence pointing in a certain direction, need to follow the clues wherever they lead. Reggie Brown, among others, hopes the system isn’t put to the test again anytime soon. ■

Dairylea: A Century of Cooperation

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the time, the line included milk, low-fat milk, ice cream, cheese, cottage cheese, ultrapasteurized products, powder, butter, yogurt and more.

Co-op struggles in 70s; reinvents itself in 80s

The 1970s and early 1980s were difficult for Dairylea. The 1970s found Dairylea on the edge of bankruptcy, hemorrhaging money and members. Many of the problems stemmed from the overall economic collapse the country experienced.



Some problems resulted from questionable decisions made by the co-op, and it failed to adapt to the changing marketplace. The co-op hit a turning point, though, when then-treasurer Clyde Rutherford convinced the board to hire professional management. Rutherford, elected president in 1977, spearheaded a series of institutional reforms and began working collaboratively, instead of competitively, with other regional dairy

co-ops. He brought Rick Smith (who later became vice president and chief executive officer, and recently took the post at DFA) on board as general counsel.

Smith spearheaded the sale of the co-op's last processing plants and engineered a dramatic financial turnaround. By 1985, the co-op had managed to lower operating costs, reduce debt, make significant new investments and improve equity.

The 1990s saw Dairylea working hard to secure competitive prices for members' milk, but also investing in a suite of services to give new value to members. The 1990s also hailed the onset of new technologies that made dairy farms more efficient and productive.

By the mid-1990s, Dairylea profits were steady and the co-op redoubled its efforts to achieve unity among dairy farmers.

Partners with DFA

In 1999, Dairylea partnered with the newly formed Dairy Farmers of America (DFA), a national cooperative, to create Dairy Marketing Services, a Northeastern milk marketing partnership. The venture combined the resources of the two powerful co-ops, allowing for increased savings on

assembly, transportation and hauling costs.

The successful DMS partnership led to a closer relationship with DFA, and Dairylea became a DFA member co-op in 2001. In 2006, Smith became chief executive officer of DFA, further tightening the alliance between the two co-ops.

The success of the DMS partnership convinced two major co-ops, Land O'Lakes and St. Albans, to join in 2003. DMS currently includes more than 9,500 farms that annually produce about 16 billion pounds of raw milk.

Today, Dairylea is heeding the lessons of its rich, tumultuous, 100-year history. The co-op has learned to embrace change and looks forward to the challenge of responding to emerging market conditions. The co-op also continues to strive to find new markets for its members' milk, keep prices competitive and help its members achieve greater profits through its suite of farm services.

Of Dairylea's accomplishments, Rutherford says: "Our success is a direct result of the unwavering loyalty of our farmer-members and the dedicated employees that serve them. Without them we would not be where we are today." ■

Co-op Development Action

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Cooperative. In the process, both economic and community benefits have been created.

Resident and board secretary Dick Martin, observes: "We are so fortunate to have had this golden opportunity to save our homes and our future here at Green Pastures." Maura Swartz, Northwest Center for Cooperative Development, has been providing cooperative development assistance to the project.

Swartz reports: "The co-op development process has promoted excitement among residents; many of them have commented on the increased level and sense of community. The process has promoted a truly palpable sense of coming together."

While members remain the center of housing cooperatives, development assistance and various sources of special funding are required, as is the support of county and

local planning departments and housing officials.

Brandon Failing, resident member of Bennett Park Cooperative in Moorehead, Minn., notes: "Ultimately, the residents joined together and created this cooperative, but it was through the guidance of NCF (Northcountry Cooperative Development Fund) that we were able to make things happen."

Cooperative Development Centers are responding to the need for affordable housing and the opportunity to assert the vitality of cooperative solutions in this time of crisis. The California Center for Cooperative Development, the Northwest Center for Cooperative Development and Northcountry Cooperative Development Fund all have special programs to promote cooperative housing.

In each case, Rural Cooperative Development Grant funds from USDA Rural Development are helping fund technical assistance for promoting and developing housing cooperatives. ■

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Pierce County Fire District #23 in Elbe, Washington, prides itself on being responsive to its rural residents. When USDA Rural Development Community Programs Specialist Debbie Harper and Olympia Area Specialist Bruce Whittle approached Fire Chief Garry Olson about equipment upgrades, they became local heroes. Through the vital funding of USDA Rural Development's Economic Impact Initiative Grant, Harper and Whittle helped the fire district purchase a new ambulance in 2004. Since then, additional grant awards have provided upgrades to other safety and rescue equipment for the Elbe facility.

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