The Future of Agriculture on the Great Plains
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The supporting economic superstructure of the Great Plains has been the production of commodities. Thomas Jefferson didn’t want manufacturing plants that provided urban squalor, and demeaning jobs. Instead he wanted the robust healthy life of garden-like plantations. Manicured fields of cotton with great houses, stables, and improved roads. He had seen Europe and didn’t want to ever duplicate the ghetto-like urban environment in the New World. He felt that with the Louisiana purchase, the unspoiled fertile land would produce enough furs and eventually enough commodities to satisfy economic stability and growth.

In the nearly 200 years since Jefferson’s purchase, powerful forces have visited the Great Plains. Railroad expansion and land grant colleges, the Homestead Act, small pox epidemics, wars with Indian tribes, reservations, drought, economic depression, the cold war and defense systems, dams on major rivers and irrigation systems, soil bank, water bank, conservation reserve program, payment in kind, grain sale to the Soviet Union, oil embargo, floods, blizzards, 21 percent interest rates, inflation, barbed wire, diesel engines, four wheel drive tractors, summer fallow and no-till farming, shelter belts, wind mills, rural electrification, telephones, interstate highways, farm consolidation, IBP, ADM, ConAgra, Cargill, Monsanto, genetically modified seeds, organics, cooperatives, satellites and the Internet.

The Poppers from Rutgers have written about the Great Plains as a buffalo commons. Eric Severeid, the CBS correspondent from North Dakota said that our state is the blank spot on America’s mind. The North Dakota song contains the words “See the cattle and the wheat and the folks that can’t be beat.” People from the Great Plains want you to think of the cattle and the wheat first. The farmers and ranchers of the Great Plains have sought respect in the mind of the world by their ability to raise wheat and cattle.

My brother Loren is a farmer in central North Dakota. He has a picture of a old man wearing a worn denim jacket standing in a field of hard red spring wheat. The man’s hair is white and flowing to his shoulders; his beard, white and flowing to mid-chest, points to his weathered hands gently cradling three long heads of ripe grain. The grain, nurtured to perfection on this farmer’s soil, is the measure of this man’s greatness.

The people of the Great Plains have been defined by the commodities they produce and the place they are from. They measure the value of land by its ability to raise corn or cattle, wheat or hay. They have experience with coal, minerals and oil wells, tourism, manufacturing and medical care, and now software companies, universities, and urban growth, but the first thing about the Great Plains is “see the cattle and the wheat.”

There is a necessary sadness here. For what has defined these people before and measured their personal greatness is now defined as without significant value. Commodities are common, unimportant. No one cares what the rancher went through to deliver that perfect bunch of red Angus feeder calves to the auction ring. The order buyer gets them for the lowest price possible and hopes that the rancher will have another load next year. He didn’t get the fellow’s name.
Likewise the wheat is planted. The farm family worries about weather, insurance, weeds and pest, and finally it looks like a harvest. Combines are started, trucks repaired, bins are swept clean. In the desperation of not enough time, bad weather and break downs, the crop is brought in. Beautiful 60 lb wheat. Sometime in March, with mud in front of the bins, semis haul away that grain. At the elevator, the farmer gets $2.53/bushell net, having first to pay the freight on a hundred-car unit train which hauls the wheat to a miller who never knew nor saw the farmer. The miller may remember that on one day, he made really great flour, but he doesn’t even know where the grain came from.

Now many commodities produced in the Great Plains are at great risk of being replaced by commodities produced in other parts of the world where land and labor is cheaper and the land is newer and requires less inputs. Others at this conference can report on the commodity price misery being experienced on the Great Plains. I won’t, other than to say that it is a necessary time of sadness, for farm families do not want to let go of their position in food chain as commodity producers. It is like dying.

But something new is happening. Like crocuses through the snow of Easter, new businesses are forming. They are businesses formed by farmers who ask financially strapped neighbors to invest money and commit quality products. Soybeans are now being sold as oil, durum wheat as pasta, hard red spring wheat as partially baked frozen bread, corn as sweeteners, alfalfa to milk and cheese, hogs as hams, and cattle as dinning entertainment.

The Illinois Institute for Rural Affairs at Western Illinois University in Macomb, Illinois spent time compiling these “new generation cooperatives.” The researchers are Mary Holmes, Christopher Merrett and Jennifer Waner. Here is what they found:

There are seven cooperatives in the United States that process beans and legumes, 19 that process corn, four that produce or process diversified organic products, six that process fiber, three that produce fish, four that do fruit processing, six that do grain processing and marketing, 14 that produce, process or market livestock, six poultry producers, three producers alliances, one purchasing and service, six soybean and oilseed processing, four sugar beet processing and marketing, five vegetable processing and marketing and one dairy processing cooperative. The total at this count was 89.

Of the 89 new generation cooperatives identified, 63 or 70 percent are located in just three states, North Dakota, Minnesota, and Iowa.

These cooperatives are found in 19 states: California three, Colorado one, Georgia one, Hawaii one, Illinois two, Indiana two, Iowa 10, Kansas one, Maine one, Maryland one, Michigan one, Minnesota 29, Missouri three, Nebraska one, North Dakota 24, Oregon two, South Dakota three, Washington one, Wisconsin two.

This first printing was done in August of 1999 and is a rough first count. It under counts all value-added enterprises because it does not include limited liability companies and other business forms that may mimic new generation cooperatives and provide much of the same benefit. It is also very hard to count businesses that are being born and those that are dying, those that are being designed and those that actually exist. It is equally difficult to categorize businesses as new generation cooperatives since there can be a number of definitions.

I consider a business a “new generation” cooperative if it has four characteristics:

1. Uniform marketing agreements as a condition for membership
2. Equity investment tied to intended patronage and uniform marketing agreements,
3. Transferable delivery rights and obligations related to shares of stock,
4. High levels of patronage credits are transferred each year to the members.

At first look, there is nothing remarkable here, and the number of “new generation cooperatives” are statistically insignificant. While North Dakota has 24 new generation cooperatives, it has more than 400 traditional cooperatives. And like the Great Plains in general, North Dakota is served by large regional cooperatives, the three largest being Farmland Industries, Cenex-Harvest States and Land O’Lakes. The statewide association that I work for has three large generation cooperatives, the largest which is Basin Electric Cooperative, headquartered in Bismarck. Basin serves eight states and has more than 100 distribution cooperatives as its members. It also wholly owns a coal gasification plant that sells synthetic natural gas and numerous other by-products refined from coal and is a major provider of Internet services in North Dakota.

Our office is located in the same building with North Central Data Cooperative which serves 27 states by processing telephone and electric bills and designing and installing software. Just east of our office on “The Old Red Trail” is the modern and beautiful office of Farm Credit Services. That office in Mandan provides hundreds of millions of dollars in loans to farmers in southcentral, central and southwestern North Dakota.

These large, effective, and impressive cooperatives overshadow these new, often struggling start ups. Yet the excitement (sometimes referred to as “co-op fever”) continues in the Great Plains about this new business style. Why? Because when operating effectively, a new generation cooperative is a powerful money making business for its owner members.

Dakota Growers Pasta is an example. I helped start this cooperative in August 1990. Today it is the third largest pasta manufacturer in the United States. Look at its performance compared to the prices received for durum wheat. Durum is the major ingredient in Pasta.

<table>
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<tr>
<th>Year</th>
<th>USA</th>
<th>Canada</th>
<th>Dakota Growers</th>
<th>DGPC versus USA</th>
<th>DGPC versus Can*</th>
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<td>4.67</td>
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<td>3.00</td>
<td>2.94</td>
<td>6.64</td>
<td>+3.64</td>
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I have compared the dollars received per bushel for Western Canadian Amber Durum, by Canadians, **Number 1** Hard Amber durum by United States producers and prices received by Dakota Growers Pasta Company members. These are the average actual dollars paid to producers in North Dakota and Manitoba on a per bushel basis in US dollars adjusted for currency exchange rates and transportation differentials and the amount paid in cash and retained in DGPC.

* The numbers are from Manitoba Agriculture, North Dakota Wheat Commission, USDA AG Statistics, and Dakota Growers Pasta Company’s 1998 annual report.

While commodity production is the dominant model in the Great Plains, there is significant antidotal evidence to suggest that New Generation cooperatives are having a trim-tab effect on the direction agriculture is taking. By demonstrating much better financial performance, some new generation cooperatives are pulling the main rudder in the direction of vertically integrated farms owning or allied with a much greater portion of the food system.
We do not have an accurate count on the number of development centers working to encourage value-added agriculture and farmer-owned vertical integration. I would guess that in the Great Plains alone (including Canadian Provinces) there are at least 20 such centers. About 10 centers have allied with two national partners (The National Cooperative Business Association and the Cooperative Development Foundation) to form a network of centers now known as “CooperationWorks!” USDA itself has encouraged this effort of farmers and ranchers to organize value added enterprises by providing cooperative development technical assistance through their own staff and by providing grants to centers such as mine.

While this scattered phenomena may appear insignificant, it could also be a trim tab on the great rudder of agricultural, turning our beloved industry to prosperity. We will have to see.