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Rural COOPERATIVES

July / August 2014



What
We've
Learned
So Far

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Commentary

Local food investments expand market opportunities

By Elanor Starmer

Editor's note: Starmer is senior advisor to Agriculture Secretary Tom Vilsack on local and regional food systems.

Agriculture Secretary Tom Vilsack in May announced a historic level of funding available for local and regional food: \$78 million. This funding includes \$48 million available through USDA's Business and Industry Loan Guarantee Program and \$30 million available through the newly expanded Farmers Market and Local Food Promotion Program.

The 2014 Farm Bill gave USDA these and other tools and resources, expanding our ability to connect rural and urban communities, increase access to healthy foods and to support rural economies through local food systems. Farmer cooperatives are eligible for these programs, and many co-ops have received funds under them.

Since 2009, the Farmers Market Promotion Program (FMPP) — now expanded into the Farmers Market and Local Food Promotion Program — has funded more than 450 projects. Penn's Corner Farm Alliance is an example of a co-op that is using the FMPP program.

A farmer-owned cooperative of 30 farms in southwestern Pennsylvania, Penn's Corner Farm Alliance used the funds to make infrastructure upgrades to its cooperative market, including new refrigerated storage and trucks. The Alliance, which serves three dozen restaurants and more than 700 community supported agriculture (CSA) members in Pittsburgh, has seen its business grow 12-fold in the past five years. The co-op's farmers use sustainable farming practices, and many of them grow organically, producing a wide variety of fruits, vegetables, dairy foods and meats.

While Pittsburgh consumers benefit from the project, rural farmers and ranchers in the surrounding area are equal partners. Fostering this type of rural-urban connection and

mutual opportunity through local food systems is a cornerstone of USDA's work.

With expanded authority and funding through the 2014 Farm Bill, the Farmers Market and Local Foods Promotion Program has the potential to help establish more cooperatives and other businesses across the country that are helping to meet the demand for local foods. The goals of FMPP grants are to increase domestic consumption of, and access to, locally and regionally produced agricultural products.

The maximum amount awarded for any one proposal cannot exceed \$100,000; the minimum award is \$15,000. The program supports new market opportunities for farm and ranch operations serving local markets. Farmers markets,

roadside stands, community-supported agriculture programs, agri-tourism activities and other direct producer-to-consumer market opportunities can benefit from the program.

Information about how to apply is available at: www.ams.usda.gov. USDA's Business and Industry Guaranteed Loan (B&I) Program can be used to support a wide range of rural businesses. The Cellars at Jasper Hill in rural Greensboro, Vt., was able to expand its dairy facility, grow its business and reach new markets using the B&I program.

The owners, the Kehler brothers, took their passion for dairy and founded a cheese-making operation 10 years ago. Partnering with Vermont's Community National Bank, USDA's B&I program helped

the company construct a 22,000-square-foot facility and expand its on-farm value-added cheese production. The project helped save 20 existing jobs and created 14 new ones in a town with fewer than 1,000 residents.

The B&I program is available on a rolling basis throughout the year and can finance local food enterprises in both rural and urban communities. To learn more, contact your local USDA Rural Development office, which you can reach, toll-free, by calling: 1-800-670-6553, or visit: www.usda.rurdev.gov. ■



Blackberry Meadows Farm was first certified organic in 1992 and has since provided the Pittsburgh area with high-quality, local fruits and vegetables, meats and eggs. The farm joined the Penn's Corner co-op in 2013.

Features

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ON THE COVER: Food hub operators share their thoughts about key issues, ranging from food safety to computer software, that impact their business operations. See page 14. Here, Amy's Organic Garden owner Amy Hicks harvests greens at her farm in Charles City, Va. Her farm participates with Fall Line Farms, a local food cooperative in Richmond, Va. USDA photo by Lance Cheung





A Two-Way Street

**Members must fulfill
responsibilities
to their co-op**

By James Wadsworth, Ag Economist
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While a co-op must deliver quality goods and services at a competitive price to its members, the members also have important responsibilities toward their co-op to fulfill. For a co-op to prosper, the members must know and take these responsibilities seriously and periodically review them.

Member responsibilities begin at the conception of the co-op and remain in place throughout its existence. Members who are active in their co-op are essential to ensuring that sound governance, good management and efficient operations are maintained.

Co-op members must:

- ◆ Understand the purpose of the cooperative and why it was organized as a co-op;
- ◆ Know the legal foundations of the co-op;
- ◆ Take part in the co-op's governance (e.g., vote in elections, be willing to serve on committees and the board of directors, select and evaluate directors);
- ◆ Provide necessary capital for its operation;
- ◆ Alert leaders to important issues (members are the eyes and ears of the co-op);
- ◆ Use the cooperative (market through it, buy supplies and services from it, etc.);
- ◆ Promote the cooperative to other potential members.



“The co-op’s legal framework, as established in the articles of incorporation and bylaws, provides members with the power to control the co-op.”

Understand the cooperative

Members must fully understand what their co-op is: its purpose, mission, goals, operations, benefits, finances, limitations, governance structure, policies and what the organization may look like in the future (based on strategic plans). They should read the articles of incorporation and bylaws to understand how the co-op is set up to function and its legal foundation.

Members need to understand their co-op’s operations and policies and how

they function within the framework of state statutes and federal laws. Some of these functions might include established member obligations, regulations, quality controls, equity management and financial structure and rules.

Members need to understand the co-op’s history as well as its mission, goals and strategies for the future. It is up to co-op leadership to provide clarity regarding the co-op’s current status and how the board intends to position it for the future. Members who understand

their co-op’s strategic mission can make wide use of it for their immediate benefit as well as offer constructive criticism or suggestions for its future.

Members should stay informed about issues that may affect the co-op by carefully reading all correspondence from the board and management.

Know legal foundations

The co-op’s legal framework, as established in the articles of incorporation and bylaws, provide members with the power to control the

co-op. The board of directors and hired management must abide by the provisions in these documents. Members also need to analyze proposed bylaw amendments and determine how they will affect the co-op before voting to approve them. Members are responsible for knowing the contents of legally enforceable marketing contracts or other legal papers the co-op may use before signing them.

Take part in governance

Co-ops are deeply rooted in the principles of democracy, and thus taking an active part in co-op governance is a vital responsibility for all members. This means casting votes during delegate and director elections, on major co-op business decisions (for example, expansion, contraction or merger), and other matters brought to

Reach out with effective member relations

While members have responsibilities to fulfill in their co-op, the co-op likewise has important responsibilities to members, including maintaining excellent member relations.

Effective member relations for a cooperative means that it must reach out to members with news and messages about their co-op. Providing members with information about important co-op services and operations, as well as with continuing cooperative educational information, helps to create a more loyal membership.

To reach out to members, co-ops need to:

- Talk to members directly – in the co-op store when they buy supplies, at a co-op plant or elevator when they deliver crops, on their farms when co-op field representatives visit, at co-op meetings, etc.;
- Reach out with co-op newsletters, magazines, websites and social media;
- Provide updates and other information by placing notes with billing or payment statements;
- Send letters to members about important co-op issues;
- Advertise in newspapers, magazines/trade journals, and on radio or TV;
- Hold special member events and member meetings.

Members need to be regularly informed about their cooperative business: what it is, what it does, how it benefits them and what their responsibilities to the co-op are. They also need to be kept abreast of the co-op's initiatives, operations and promotions. Member communications – when carried out on a regular basis – enhances and keeps alive the co-op's unique culture and strengthens the relationship between members and their co-op. ■

the membership. At annual and other membership meetings, members should not hesitate to ask thoughtful questions.

Although members delegate governance authority to the board of directors, they need to hold the board accountable for its actions. This includes obeying bylaws as well as local, state, and federal laws. In addition to participating in voting and meeting activities, members should consider taking a role in the co-op's governance body (i.e., director, delegate, committee person).

Select and evaluate directors

Members also take part in the democratic process in their co-op by nominating, voting for and evaluating directors. In considering attributes of a potential director, members should look for people who: are good conversationalists and can clearly express their views; are good listeners; understand what it takes to run a successful business; are able to analyze complex business issues; are able to find consensus and can compromise; and can make difficult decisions based on what

is best for the co-op as a whole.

Individuals who have been active in other outside organizations or associations may be a good fit, as those experiences are often congruent with being a co-op director.

Provide necessary capital

Having a financial stake in the co-op is a key part of ownership. It's a responsibility that members must take seriously and understand. Co-ops are started with some type of initial member investment — often for a share

of voting stock along with a direct equity capital contribution. Once up and running, members' financial commitment in their co-op must be large enough to show continuing concern about how their invested money is managed. This also provides motivation for them to accept all of their membership responsibilities.

A desirable goal is for member equity contributions to equal a majority of the co-op's total capital requirement. A high level of member equity capital provides for greater member control and commitment. It also makes it easier for the co-op to access debt capital.

Members finance their co-ops in three primary ways: direct investment, retained margins and per-unit retains

Issues that are of a serious nature should be brought to leadership as soon as possible. Members should refrain from bringing up petty issues unless they seem to be growing into something more serious.

Use the cooperative

Using the co-op is the easiest responsibility for members to fulfill. By using the co-op as much as they can, members help the co-op directly succeed in three important ways:

(1) A certain amount of business is needed just to cover the cost of opening the doors each day, including maintaining buildings and equipment, utilities and salaries. Greater volume reduces these costs per unit of sales or

turn, the members as well. The stronger the co-op, the more competitive it will be in the marketplace. A prosperous co-op with the solid support of its members is often recognized as a business leader in its community or industry.

Promote the cooperative

Members need to understand that their co-op (that is, their business) will have a greater likelihood of success if they are proud of it and if they promote it to other potential members. If the co-op has its own brand, members should be proud to tell the story behind it, discuss it and promote it. Promoting their co-op's business services, member benefits, unique structure and its brands

“Co-ops are deeply rooted in the principles of democracy, and thus taking an active part in co-op governance is a vital responsibility for all members.”

(see USDA Cooperative Information Report 55, *Co-ops 101*, for more information on these methods).

Alert leaders to issues

Because the role of the co-op is to improve members' quality of life, members should be ready to alert co-op leaders to both opportunities and problems that they see facing the co-op. This helps leadership stay attuned to member concerns so the board and management are able to devote their efforts to matters important to members. Issues to bring to leadership might arise from member-to-member conversations, during co-op meetings, during community meetings or just from members learning of a situation or market opportunity from media or in their other community activities.

revenue. It also means facilities can operate closer to capacity, equipment and employees can be more productive and the co-op is able to generate more income above costs and return patronage refunds to members at the end of the co-op's business year.

(2) Using the co-op provides the financing to keep it operating and growing. Member financing is provided on the basis of member use of the cooperative.

(3) Using the co-op is how members gain the services and benefits they sought when they first formed or joined the co-op.

Members need to make a conscious decision to patronize their co-op even when short-term prices or services may sometimes seem better elsewhere. High member use helps the co-op and, in

will all increase the co-op's potential for success.

Co-ops are formed and operate to serve and benefit members. Members' responsibilities are as important to the co-op as the co-op is to members. Taking these responsibilities seriously and exercising them to the best of their ability will give members a strong and effective cooperative that is able to effectively provide the services and benefits they need in the present and future.

References: USDA Cooperative Information Report (CIR) 1, Section 7, *Cooperative Member Responsibilities and Control*; USDA CIR 11, *Cooperatives: What They Are and the Roles of Member, Directors, Managers, and Employees*; USDA CIR 55 *Co-ops 101*. ■

Co-ops

Leadership with a difference

Consensus is the goal, but can be a long process

By Bruce J. Reynolds, Economist
Cooperative Programs
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Leadership is essential for guiding organizations to fulfill the mission of their stakeholders. The necessity of strong leadership especially comes to the forefront during times of major industry change or stakeholder conflict. When leaders successfully guide their organizations through turmoil, the imprint of leadership is unmistakable. Even during times of “business-as-usual,” business leaders must prepare their organizations to avoid crises and to keep up, or move ahead, of their competitors.

The stakeholders of a business are usually defined as the

of the membership, which differs from decision-making in hierarchically controlled businesses. Still, member consensus does not mean putting all decisions to a referendum.

This point was emphasized by Jim Kiley, former manager of the Sioux Valley Southwestern Electric Cooperative, when he accepted a leadership award from the National Rural Electric Cooperative Association in 1998. “One thing I learned from the many fine people I’ve been privileged to know in this business is that leadership doesn’t come from entitlement or consensus — it comes from taking advantage of opportunities,” Kiley said. “It comes from the application of sound principles in pursuit of long-term goals.”

His comment seemed to me, at the time, to be dismissive of consensus. But in retrospect, I appreciate his message that individual responsibility to lead must not be crowded out by

**“Leadership doesn’t come from entitlement or consensus —
it comes from taking advantage of opportunities.”**

investor-owners, employees and customers. Cooperative stakeholders are members who have an ownership stake in the business, but who are also stakeholders as customers or producers, with the latter being either as suppliers of products or of labor services. Many cooperatives do a substantial amount of business with non-member stakeholders.

Democratic governance of a co-op business by member-stakeholders presents a unique challenge for its leaders. The leaders of cooperatives try to make decisions with a consensus

of the opinions of the membership. Members have a voice in their cooperative, but their views are not the last word on many decisions.

For example, member consensus might be to carry a line of unprofitable branded products at farm supply stores or at food co-ops that take-up shelf-space and gradually erode earnings.

Kiley’s belief that consensus does not control leadership can be contrasted with leadership in hierarchically managed businesses, where there is scant need for such concerns.

The challenge of leadership of a cooperative is not to simply follow a consensus, but to listen to members and to carefully weigh their needs when determining the best direction for the business to prosper. This requires special skills and experience.

This differing approach to leadership has been recognized in training programs for co-op leaders, including by the Graduate Institute of Cooperative Leadership (GICL), established at the University of Missouri in 1972 (<http://www.gicl.coop/giclorigins.html>). Many other training programs have likewise been established to fill a void in standard leadership training curriculums that do not address the importance of working with a cooperative membership.

Tasks differ for co-op managers and directors

Managers and directors in co-ops each have leadership roles that do not overlap. Managers are leaders of cooperatives, not just in overseeing operations, but in understanding industry changes and in advising the directors on strategic positioning and planning.

Managers need to identify if, and when, 'business-as-usual' is becoming less sustainable.

Managers need to identify if, and when, "business-as-usual" is becoming less sustainable. This type of complex foresight is not usually developed by a manager without interaction with others. Managers need to maintain a strategic dialogue with staff and directors, and sometimes with outside consultants. If major changes for the business are recommended, managers are responsible for articulating and planning new directions.

A board of directors in any type of organization has governance functions and fiduciary duties. In a cooperative, there is an added dimension of linkage between the directors and the member-stakeholders (Hoyt). Directors are responsible for communicating with members about policies and upcoming decisions. Two-way communication is needed, with directors being available to receive feedback from members.

Members often hold different points of view on whether their cooperative should consider changes and, if so, what those changes should be. Directors need the skill to use member input to improve decision-making, while preventing diverse views from becoming a source of divisiveness.

Member responsibilities

Members of a cooperative have a responsibility to be informed about policies, bylaws and operations (Wadsworth). Member knowledge of operations includes having a basic understanding about the industry and awareness of trends and strategies.

Members are more than passive, "yea or nay" responders to leadership initiatives. The meaning of consensus for a cooperative is that it is a process, often starting from a point where members may have divergent views but lack sufficient information on what the cooperative should do. As more discussion and information is shared, management and directors can consider member views in developing plans for keeping their cooperative vital and growing.

Acceptance of foreign product trading

Several decades ago, the marketing advantages of trading foreign commodities were recognized by many cooperative managers. Yet, grain cooperatives were reluctant at that time to establish merchandising of foreign-sourced commodities (Thurston). Such merchandising was not only considered to be of no benefit to members, but could also be construed as being detrimental to them. The argument against this practice seemed to be basic economics: why contribute to demand for a foreign competitor's products by purchasing them?

The major advantage derived from trading foreign

products is to supply food industry buyers during the times prior to U.S. harvests. It is hoped that customer loyalty will develop by supplying their buyers year-around. Although grain and cotton can be stored, prices for U.S. commodities are often not competitive during certain times of the year.

In the grain industry, there are additional advantages of sourcing foreign crops, such as arbitrage opportunities when having more choices of shipment origins. Another perceived advantage from merchandising foreign grain is improved market intelligence, derived from the ability to operate as both a buyer and seller in world markets.

Since the 1950s, cooperatives had repeatedly sought, but not achieved, a durable grain exporting system (Reynolds). The development of a global origination system was a critical link that CHS Inc. eventually accomplished. A major step in this direction was taken in 2003 with the opening of a subsidiary for marketing Brazilian soybeans, primarily to China (Dusek).

CHS has since followed a growth path of more subsidiaries or joint ventures for sourcing grain from Europe to the Black Sea region, as well as additional South American countries for soybeans.

Trading foreign-sourced products was a vigorously debated policy change by Sunkist members. As with CHS, 2003 was the turning point on this issue for the California-based citrus co-op. Sunkist went through a long debate within its membership, made more complicated by the issue

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The Privileges of Membership

Co-ops pursue wide range of ways to communicate the 'co-op difference'

U.S. Agriculture Secretary Tom Vilsack talks with Illinois FFA members in Springfield, Ill. Many ag co-ops focus much of their co-op education effort on youth groups, including FFA and 4-H. USDA photo by Lance Cheung. Facing page: Janice Johnson of GROWMARK discusses some of the ways her co-op communicates "the co-op difference" while participating on a panel talk during the Cooperative Communicators Assoc.'s annual meeting. She is flanked (from left) by Bob Cohen, Paul Wesslund and Jim Converse. USDA photo by Dan Campbell

By Dan Campbell, Editor

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Cooperatives that think of their members as "customers" — and refer to them that way in their

communications — are missing an opportunity to remind people of what makes a cooperative so fundamentally different from other types of business, says Bob Cohen, manager of the Cooperative Development Center at Kent State University (Ohio). That

difference is, of course, that while "customers" buy goods and services from businesses owned by others, co-op "members" own, control and derive multiple benefits from the business (see sidebar, page 11).

The purpose of a co-op is to meet member needs, not to generate profits for the owner or distant shareholders.

Cohen's comments were made while serving as moderator for a panel discussion, "Communicating the Cooperative Difference," held during the Cooperative Communicators Association (CCA) annual institute in

Pittsburgh in June. Some consumer and farm supply co-ops — especially those with retail operations — may also do non-member business, so it may not always be possible to avoid using "customer." But whenever possible, co-ops should use "member" and/or "member-owner" in co-op communications to help underscore a key "co-op difference."

"From families living in rural America desiring stable power supplies or high-speed Internet, to grain and livestock producers who enjoy local ownership with international marketing



- Who is the president of your board?
- How many members does your cooperative serve?
- How has the membership of your cooperative changed since it was organized?
- When is your annual meeting?

GROWMARK: youth education is essential

Janice Johnson, marketing & communications specialist for GROWMARK's Ontario region, cited the following tell-tale example of the difference between a producer-owned co-op and a privately held or investor-owned company. When a non-co-op wants to tap into the feelings of producers, it may have to form a special focus group of farmers to get their input. But with a co-op, the board of directors — all from local communities — is the “focus group” that provides on-going input to management to ensure that co-op operations are structured to meet the needs of the farmer-owners of the co-op.

Patronage — year-end payments to members based on the business they do with their co-op — is a major co-op difference, Johnson stressed. In the past

power, cooperatives are as unique and powerful as those who own and control them,” Cohen said, quoting Rod Kelsay, president of the Mid-America Cooperative Council.

As a primary contact point between members and their cooperative, Cohen said employees need to have a basic understanding of the cooperative way of doing business. At the very least, every co-op employee needs to be able to answer these basic questions:

- What is the official name of your cooperative?
- When was your cooperative established?
- What geographical area does your cooperative cover?
- How many directors are on your board?



five years, GROWMARK returned about \$500 million in patronage to its members in the United States and Ontario, Canada, from its core agronomy, grain marketing and energy businesses.

GROWMARK is owned by local FS co-ops, each with their own

The Co-op Advantage

Bob Cohen cites the following “big three” benefits of belonging to a co-op, as described by Rod Kelsay of the Mid-America Cooperative Council.

- **Member Ownership** — If you are invested in an idea or business, it is more meaningful. We can promote the cooperative advantage through member ownership. Yes, they are customers, but when we refer to owners as customers, we miss a key opportunity to sell our unique cooperative advantage.
- **Member Control** — Those who control the cooperative vote for their representatives to the board of directors. This democratic control is different than Investor Owned Control, where you vote your shares of ownership. This is a significant advantage for cooperatives.
- **Member Benefits** — The benefits of cooperatives are as numerous

as the need for cooperatives. Generally, we think of patronage first, but we must not under-sell the benefit of moderating prices and stabilizing the marketplace. Yes, our cooperatives are businesses, and thus need to be run efficiently to make a profit. However, every cooperative was

created to serve an important need that was not being effectively served in the market. Serving that need is a key benefit for member/owners. ■

autonomous board. GROWMARK's mission is to help improve the long-term profitability of the system's 250,000 farmers and rural residents.

Co-ops can easily become complacent about the need for co-op education, Johnson said, if they assume employees already grasp the advantages of doing business in a co-op. But the reality can be quite different. GROWMARK is thus committed to keeping employees informed about cooperative principles and practices throughout the year, with greater emphasis during Co-op Month (or Co-op Week, in Canada).

The co-op also supports a number of youth education programs, believing that it is vital to instill co-op concepts in students while "they are young and impressionable." Johnson is also a director of the Ontario Cooperative Association (OCA), of which GROWMARK is a member. Johnson explained how OCA has been instrumental in introducing new co-op curriculum into several Ontario high schools. Even for youth who don't choose an ag career, GROWMARK believes that instilling a knowledge and appreciation of co-ops in them will still benefit the future success of the co-op sector.

Each young person who wants to attend the Cooperative Young Leaders Program — started almost 50 years ago by Ontario ag co-ops — needs to be sponsored by a co-op or credit union to participate in the summer camp experience. The program has recently been expanded, and participants are being asked to sign a contract in which they agree to promote the co-op business model back at their school, at their co-op and in their other activities, hence becoming a corps of youth co-op ambassadors.

Like many co-ops across North America, GROWMARK is a major supporter of 4-H and FFA programs,

including an annual essay contest it sponsors for FFA members who address a co-op/ag related topic. Winners earn college scholarships. GROWMARK also has a strong internship program that gives youth a real-world taste of what it is like to work for a co-op.



More than 1 million people read each issue of Kentucky Living magazine, which is supplementing its "lifestyle" mix of articles with an increasing amount of space devoted to energy issues that impact electric co-ops and their members.

GROWMARK is an example of how co-ops are built to last, with membership often passing from one generation of family farmers to the next. The Ontario agriculture cooperative system began in 1914 with a group of farmers getting together to break a monopoly on binder twine. They are now branded FS cooperatives that have been with GROWMARK for the past 20 years. The Ontario co-op system is celebrating its 100th

anniversary this year, while GROWMARK in the United States is "over 85 years strong," Johnson said.

Utility co-ops stress civic programs, local connections

Utility co-ops, in particular, often feel the challenge of making their members feel like true member-owners, not just customers. Although utility co-op members may not rely on a co-op to market their crops or to supply them with farm supplies, every time they turn on a light, they are relying on their co-op for a necessity of modern life. Utility co-ops are not-for-profit business with their only purpose being to provide the best service at best possible cost.

Many electric co-ops and statewide utility co-op associations rely on a member magazine as their primary vehicle for strengthening bonds with their members. Paul Wesslund, editor of "Kentucky Living" magazine — the membership publication of the Kentucky Association of Electric Cooperatives — said the publication has a circulation of more than 500,000 and a "pass-around" readership of more than 1 million, making it by far the most widely read magazine in the state.

It is a challenge to produce a publication that appeals to such an "incredibly broad readership," Wesslund noted. The traditional focus for utility membership magazines is known in the publishing industry as a "lifestyle" mix of articles, including travel, food, arts & culture and general human interest features. But Wesslund said "Kentucky Living," now in its 66th year, is increasing the amount of content devoted to telling members more about what they need to know about their co-op and the energy they rely on. "Local" is also a very important concept to "Kentucky Living" readers, Wesslund stressed, so there is a strong emphasis on what co-ops are doing to better serve their communities.

Recent examples include:

- Articles and editorials that discuss the impact on utility co-ops of new

federal environmental regulations that place stricter limits on the amount of carbon dioxide that coal-burning powerplants can emit.

- “On The Grid” is a regular department introduced several years ago that focuses on key energy issues.



The greenhouse at the Villa Maria convent farm is just a small part of the convent's ag operation in western Pennsylvania. The farm is a member of the Lake-to-River Food Cooperative in Youngstown, Ohio.

In June 2014, the topic was renewable energy in Germany, and how many of its “green initiatives” have not gone as hoped.

- An editorial in which Wesslund urges readers to check out a new book, “Power Plays,” in which author Ted Case relates the history of electric co-ops and their relations with U.S. Presidents, starting with the creation of the Rural Electrification Administration under President Franklin Roosevelt. The book shows how politically active utility co-ops are on behalf of their member-owners.
- Articles that focus on co-op support for a wide array of civic efforts, including programs that raise cancer awareness, that help students attend summer camps and promote

participation in youth orchestras.

“We try to link the magazine to the readers’ local electric co-op and to promote the goal of being good environmental stewards,” Wesslund said. Following on Cohen’s remarks, he said “Kentucky Living” refers to

member utilities of the statewide association as “co-ops,” never as “corporations.”

For any utility co-ops not convinced of the need to engage in co-op education, Wesslund said to keep this in mind: as a co-op, the members hold the power to vote to sell out to an investor-owned utility if unhappy with their co-op.

Working to rebuild a local food system

Jim Converse, regional development specialist at Common Wealth Inc., which launched the Lake-to-River Food Cooperative in Youngstown, Ohio, said the co-op is working to rebuild the local food system in northeast Ohio and western Pennsylvania. For the new wave of local food co-ops and food hubs, the effort often involves

communicating co-op values and advantages to people who may know very little about cooperatives.

One of Converse’s main messages is that Lake-to-River Cooperative’s business model is centered on serving “a triple bottom line,” emphasizing business practices that promote sustainability through its social, environmental and financial goals. “A major component of the social goals is food justice through better access to local healthy food by the many low- and moderate-income people in the region,” he said.

The local food movement, Converse stressed, is rooted in promoting self-sufficiency for food production while providing products that meet its members’ food safety concerns.

The regional and local food movement that spawned the Lake-to-River Food Cooperative started in 2003 as a farmers market, but the 18 growers grew tired of “sitting around in a parking lot” waiting for customers, Converse said. So they transformed the business into a multi-stakeholder co-op, which includes farmers and other producers, buyers and food processors as members. It is currently considering adding workers as members as the co-op grows and the staff expands.

The co-op helps members keep more of the revenue generated from their work, rather than seeing profits go to a corporate headquarters in another state or foreign nation. The co-op thus follows a circular, rather than linear, economic model, Converse said. Seeing the various stages in the food value chain as inter-related — and bringing them into an over-arching co-op model — puts growers, processors and consumers into mutually supporting efforts.

A major benefit of local food systems is job creation, Converse said. If north-east Ohio could grow just 10 percent of its own food locally, it would support 8,000 new jobs. Growing 25 percent local food would create 27,000 jobs in

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What We've Learned So Far

Food hub operators share insights needed for business success

By James Matson, Jeremiah Thayer, and Jessica Shaw

A father and daughter sell heirloom beans and other produce at the Bath County Agricultural Education and Marketing Center, Owingsville, Ky. USDA photo by Lance Cheung.

Editor's note: This article is excerpted from *Running a Food Hub: Lessons Learned from the Field*, soon to be available from USDA as part of a technical report series on food hubs. Matson is the principle, while Thayer and Shaw are consultants, with Matson Consulting in Aiken, S.C., which has been a leader for more than a decade in helping to develop producer co-ops and food hubs. This research was supported by VFAIRS (a co-op and rural business development center in Virginia) through funding from USDA Rural Development.



This article condenses into a “lessons learned” format some of the critical knowledge derived from interviews conducted with 14 food hubs from across the United States about this rapidly growing, but still young, segment of the food industry.

In the best tradition of cooperatives, these food hub leaders hope others will learn from their experiences and the roads they have traveled so far.

Customers

Customer types varied significantly in the sample of organizations interviewed. Ranging from individual customers to large-scale food service operations, the targeted customer often dictates aspects of the venture, including whether or not safety certifications are important, the level of infrastructure necessary and the type of marketing approach used.

Some smaller food hubs focus only on local customers, selling primarily to restaurants, independently owned or regional grocery stores, community supported agriculture (CSA) associations, or individuals. Mid-scale food hubs also tend to serve local customers, but also supply school districts, institutions (such as hospitals and colleges), larger regional chains or distribution warehouses for regional grocery stores. A few of the food hubs focus on national grocery store chains that supply local produce to their customers by selling to distribution warehouses for grocery store chains.

Lesson Learned: *Determine your likely customers and the food demand unique to your region (retail, wholesale, organic, grass-fed, etc.) and then tailor the food hub's products and approach to suit the identified market.*

Products

While produce, such as fruits and vegetables, are often the main staple of a food hub, many hubs also offer additional product lines, including dairy products and meat, shelf-stable items and local grains and flours. The latter products can help extend their operating season and mitigate drops in revenue during non-production (usually winter) months. A few of the food hub leaders interviewed were only marginally involved in produce sales. Instead, they focus on meats and related products.

Increasingly, handling value-added products is being explored by many food hubs. While none of the food hubs interviewed manufacture their own value-added goods, many of them use these products to expand their product line. These products allow an opportunity for better margins than some traditional food hub products while also extending its season.

Labor

Continuity of labor in management and sales is important because frequent staff changes can have a negative impact on food hub operations. Some of the surveyed food hubs experienced declines in sales volumes during periods of employee transition because food hubs often rely on employee-customer relationship marketing.

Due to the specific skills needed for a food hub and reliance on relationships with producers and customers, finding good part-time labor is a common issue. While some employees may be part-time or seasonal, they still need to possess the skills necessary to communicate with growers, especially in cases where there are product quality issues. Honesty and work ethic are two other important traits to have in a labor force.

Nearly all the leaders interviewed have used volunteer labor in the past, or still use it in their current operations. But many cautioned that volunteer labor lacks consistency and skill continuity. While volunteers are useful when the food hub needs more help, to be effective, the hub needs to maintain key skills and a knowledge base to achieve stability in operations and sales.

Lesson Learned: *Volunteer labor can be useful, particularly during start up or periods of growth, but long-term success will require regular employees and the continuity of institutional knowledge and relationships they bring.*

A few of the food hub operators interviewed also included distribution of non-local items, which still fit the core values of the food hub. These items were often products not available locally, such as nuts, oils or coffee, or were designated as “specialty items” in some way, such as foods labeled “fair trade” or “organic.”

Lesson Learned: *Seek to source and provide a mix of products that will allow you to satisfy demand or an identified need in the market. This may include distribution of products that are not strictly “local,” but still suit the mission of the food hub.*

Food Safety Certifications

While each of the entities contacted expressed varying levels of concern and prioritization regarding food safety, every organization was aware of the future need to consider safety certifications. A few food hubs have begun to require mandatory Good Agricultural Practices (GAP) certification of their producers, while others simply help producers become more aware of the types of food safety practices in an effort to prepare them for the future.

The general consensus among those contacted was that if not so already, safety certifications will soon become a mandatory part of doing business. Almost all of the entities contacted are actively working in some capacity to move their producers and the business towards safety certifications.

The targeted customer base of a food hub has a large impact on its level of concern with safety certification. Organizations that focus on restaurant and direct retail customers are the least concerned with safety certification. That's because these organizations are not pressured as much from their customers to offer GAP or other safety-

certified produce. Instead, they are able to rely on their own assurances to customers regarding food safety.

Those with institutional customers – including hubs that sell to hospitals and school districts, or those dealing with sales of proteins – are typically much more interested in food safety certifications and strongly encourage producers to be certified. In other cases, the hubs used surveys and other methods to gauge the readiness of member-growers to accept safety certification as a condition for supply.

Lesson Learned: *Allow the needs of food hub customers to dictate the certification requirements of a food hub. Whether required by customers or not, food hubs should take a long-term view by maintaining awareness of the food safety and regulatory environment in order to be prepared for future demand.*

“You can't run a business on good intentions.”

Software

Hub managers interviewed used a broad range of information technology in their operations, including MS Excel, custom designed software, off-the-shelf products such as Quickbooks, specialty food hub software, or a blend of all of the above. In general, there is little consensus on the optimal software for food hubs.

Typically food hubs use software to track:

- Inventory;
- Finances;
- Orders;
- Customer information.

Food hubs that have dealt with the creation of proprietary software emphasized that it is important to have the input of both designers and those who are familiar with the food hub's intended operations during the software design and implementation. Including both

of these perspectives during the beginning stages of the process allows a software designer to benefit from the input of farmer contacts and can avoid costly redesigns in the future through efficient design. They also note that custom software should be viewed as an ongoing process, and many hubs continue to change or add components for years after an initial purchase, at additional cost.

Lesson Learned: *There is no “one size fits all” software solution. Conscientiously choosing software to suit as many needs of the food hub as possible will lead to the greatest efficiency in operations, but will likely still not produce ideal results.*

Infrastructure

Infrastructure seemed to depend on two different approaches to operations:

Approach 1 — Food hubs providing more services — such as physical aggregation, grading, packing, sales and delivery — often have a warehouse, equipment and other infrastructure. Food hubs taking this approach use the equivalent of a medium-sized warehouse (5,000-10,000 sq. ft.) that included sufficient room for truck parking, loading areas, product storage, dry goods storage and cooling capacity. As a food hub expands or decides to offer other services, such as light food processing or freezing, supplementary warehouse space and additional equipment are often necessary.

Of the food hubs operating with infrastructure, nearly all use company-owned trucks to do at least some local delivery of products to customers. Local trucking resources typically consist of smaller short-haul vehicles. However, based on their circumstances, some also outsourced hauling with local trucking companies to move large volumes or product over greater distances.

Approach 2 — Other food hubs — those that provide fewer physical services and instead focus on coordination, payment, marketing, and promotion — often have limited infrastructure. These food hubs tend to utilize much smaller warehouses (1,000-4,000 sq. ft.) or a mix of owned warehouse space and borrowed space from other entities or food hub members. While there are examples of food hubs maintaining long-term storage facilities, many use a “just-in-time distribution” approach that minimizes the need for storage and cooling space. Food hubs that use larger spaces often rent or lease unnecessary space to producers or other entities for storage to help offset costs.

Lesson Learned: *Base infrastructure on the product handling and storage needs of the food hub, but incorporate a long-term view of infrastructure and equipment to provide easier transitions through growth periods in the future.*

Viability and Success

The majority of the ventures that participated in the informal survey were not operationally profitable. To remain in business, many food hubs exhibited some cost-saving advantage, such as volunteer labor, logistics arrangements and partnerships. Others had access to outside funding, such as grants. Most have remained in business by obtaining outside funds, whether in the form of donations, a grant or foundation funding. Others are part of a larger organization or obtain some form of business advantage.

Long-term financial goals almost always included reaching a point where the business did not have to rely on outside funding. While a few hubs plan for outside funding to be a regular part of their operations for the foreseeable future, most believe that grants and other sources of short-term funding were necessary to begin operations or to reach a new plateau, but were not good options for the long-term, since continuation of such funding is not assured. Further, large amounts of time and effort are required to apply for grants and other outside funding. The vast majority of food hubs expressed a desire to cover operational costs internally by increasing sales.

For the nonprofit food hubs, strategic goals include acquiring grant funds, attracting donations and partnerships, and other forms of community support that allow them to continue to expand their operations to levels that may not be “profitable” in the short run, but permit them to remain viable as a mission-driven organization.

Lesson Learned: *Utilize any available funding to get started, but keep in place a long-term strategic plan to achieve operational profitability; this is necessary to ensure long-term viability of the business.*



Operations

Food hubs have proven to be innovators in dealing with, and offsetting, costs. In an effort to sustain their operations, food hubs have limited the scope of their initial operations or acquired sources of outside funding and capital, formed partnerships or gained access to advantageous infrastructure.

One venture began operations by renting a truck by the day and using a cell phone to communicate with the driver. When the time came to invest in infrastructure, efforts were made to source inexpensive facilities and used equipment that met the basic needs of the business.

Another food hub leader said the business could not have been successful by only selling local produce. The solution was to work with a larger specialty manufacturer as a licensed distributor. This provided the food hub with many new sales opportunities, as well as providing a large amount of inventory, steady sales and products that could be sold year round.

Several food hubs attempt to utilize existing infrastructures and food systems rather than attempting to “reinvent the wheel.” These organizations have found ways to partner with food service companies to take advantage of the already efficient logistics network and large volume of sales and marketing. This could also involve making arrangements with food hub members or other nonprofit business entities for low-cost storage and cooling facilities or transportation equipment.

Several food hub managers said that if a venture plans to begin with anything larger than a minimal-scale operation, they need to procure a large amount of starting capital to remain viable. If not fully funded, a significant portion of time and energy will need to be expended to regularly obtain infusions of capital and sustain operations.

Lesson Learned: *Actively seek to find operational advantages through partnerships or working with existing infrastructure in a region. Make sure the food hub has sufficient funding to sustain operations until revenues are at a sufficient level.*

Transportation

Transportation and delivery expenses were often identified as the main cost issue for operating the food hub. In addition to the basic cost of purchase or leasing, paying drivers and the time spent in organizing the logistics of pick-ups from producers and deliveries to customers contributes significantly to the financial burden of the food hub. Even food hubs that have been able to acquire trucks, equipment or other infrastructure items through grants or other funding sources still deal with the significant cost of ongoing maintenance.

Some food hubs have found ways to minimize the cost of transportation. Utilization of out-sourced shipping and trucking often alleviated some of the burden of maintaining a consistently operational delivery method. Many hubs have established relationships that help a trucking company fill empty loads while providing efficient transportation for the food hub and thus lower costs for shipping and transportation than would have otherwise have been possible.

Lesson Learned: *Whether leased or purchased, trucking and logistics will often be one of the largest costs of operating the food hub. Know your costs to avoid delivery expenses exceeding order values for deliveries.*



Common Ground

Each of the food hubs included in this study had unique operations and goals that reflect their local community environment. While there is great diversity among them, the food hubs also share some common ground, including:

- All felt that their own market and sales levels were still in a growth phase.
- All were operating with minimal staffing. All staff members were fulfilling multiple roles in the organization.
- All had their own transportation infrastructure; however, their vehicle fleets were limited. Many used local or regional transportation firms to augment their transportation capacity.
- Many were interested in aggregating and selling value-added products, often as a season-extending service.
- Only a few were directly engaged in processing. Some of the hubs that attempted processing in the past are now outsourcing these activities to other firms.
- The time and costs of safety certifications and insurance were of concern to all. They expressed keen

awareness of the impacts of new food safety regulations, especially those stemming from the Food Safety Modernization Act.

- Most possessed access to a small- or medium-sized warehouse (1,000-10,000 sq. ft.) for storage, as well as to holding coolers or their equivalents.
- They rarely use formal advertising or media campaigns. The food hubs depended mainly on relationship marketing and point-of-sales contacts with producers and buyers.

Because of their adaptability, no one measure can be applied to all food hubs. Each one must be measured by its success or failure in achieving its own underlying goals.

From fulfilling a specific social mission to achieving independent financial profitability, food hubs are positively impacting both their member producers and communities in numerous ways. Though much remains to be learned about them, food hubs continue to be one of the most exciting innovations in the local foods supply chain.

Many of the food hub managers and leaders interviewed offered insight into issues they had faced or provided information that was not directly related to the general categories covered by the interviews. These recommendations include:

- Seek partnerships.
- A local food bank, community kitchen or retail store can provide access to distribution resources as well as storage space and cooling facilities.
- Logistic partnerships will help offset transportation costs.
- Be aware that if producers have already established direct marketing relationships, it will be harder to convince them to participate in aggregated distribution. The hub may have to work to educate producers about the benefit of joining the food hub.
- “Good intentions don’t run a business.”
- Involve leadership that has the necessary business experience and skill set to make decisions that will lead to

“If we could do it over again...”

long-term success. While vision and passion are important, make sure decisions include a solid business-oriented viewpoint.

- Maintain continuity of human resources to retain the established relationships and institutional knowledge of the staff.
- No matter how well you think you know your market, you will very likely have to be flexible in order to meet the actual demand. Be willing to change.
- Building a food hub is like running a marathon with interval sprints every mile. Training, focus and perseverance are keys to succeeding.
- Lack of funding will constrain your growth.
- Volunteers can be hard to train and difficult to manage.
- Develop training materials and forms (order forms, contract forms, etc.) early in start-up process. Lacking these documents can cause inefficiency. Take time to produce them correctly. ■

Co-op Development Action

Maine island community creates worker-owned co-op to retain local businesses, jobs



These workers are members of the new Island Employee Cooperative Inc. (IEC), which they formed to buy three businesses when the owners decided to retire after 43 years of commerce on Deer Isle, Maine. Photo courtesy IEC

By Rob Brown

e-mail: rbrown@cdi.coop

Editor's note: Brown is director of Business Ownership Solutions, a program of the Cooperative Development Institute.



Employees of three rural Maine businesses — Burnt Cove Market, V&S Variety and Pharmacy, and The Galley — are now the owners of the businesses. By forming the Island Employee Cooperative Inc. (IEC) — the largest worker cooperative in Maine — the employees were able to purchase

the businesses on Deere Isle, Maine, from retiring owners Vern and Sandra Seile.

Combined, the three businesses are one of the island's largest employers, supporting 65 jobs. The three businesses provide the community with a full array of groceries, hardware, prescription drugs and pharmacy items, craft supplies and other goods and services.

Local ownership seen as vital

When word first circulated that the Seiles were thinking about selling the stores and retiring, employees were concerned that buyers who were not part of the community might not

maintain the same level of services and jobs. Other employment options on the island are limited, so keeping the jobs was a major concern for the local economy.

During the summer of 2013, the Seiles and their employees began meeting with the Independent Retailers Shared Services Cooperative (IRSSC), a purchasing cooperative of independent grocers in New England. Also participating in the talks was the Cooperative Development Institute (CDI), a nonprofit group that provides technical assistance to all types of cooperative businesses. These conversations explored the idea of

transferring ownership of the companies to the workers.

All agreed that co-op ownership would be a win-win option. The employees worked with IRSSC, CDI, Specialized Accounting Services (SAS) and other advisors for nearly a year to create the worker cooperative, secure financing and purchase the stores. The overall goal was to keep the ownership and profits local and preserve jobs.

“We are pleased that we were able to help the employees purchase the stores that Sandra and I have built over

much less common, especially ones of the size and scope of the IEC.

“The IRSSC serves smaller, independent grocers and retailers around New England,” says Mark Sprackland, IRSSC executive director. “We hope that this is only the first of many locally owned and operated co-ops that we can help form in communities focused on sustainable growth.”

People across the country have been trying to figure out the best way to assist business owners who want to

Financing the purchase

Maine-based CEI and the Cooperative Fund of New England (CFNE), two Community Development Finance Institutions (CDFIs), organized the financing to buy the businesses. Without these funds, the workers’ dreams of buying the stores and keeping them local would have remained just that.

“This financial transaction represents the best kind of collaboration needed to build wealth in Maine’s rural communities,” says Cole Palmer, CEI loan and

“Success means we will really achieve the American dream — economic security and building wealth through ownership, both for our families and our community.”

the last 43 years,” says Vern Seile. “It’s our way of saying thank you to them and our customers for their support.”

“This is a once-in-a-lifetime opportunity,” says IEC President Alan White. “Many of us have worked in these stores for decades and we never imagined this possibility. We know we have a lot to learn and a lot of work to do to be successful. But success means we will really achieve the American dream — economic security and building wealth through ownership, both for our families and our community.”



Deere Isle, Maine, is the home of one of the nation’s newest worker cooperatives, formed last year to help preserve 65 jobs and maintain businesses that are crucial to the local economy.

Sharing the load and rewards

In a worker co-op, each worker-owner has one (and only one) share in the corporation and one vote in its governance. Co-ops typically get their start when workers band together to launch a new business. Conversions from conventional corporations are

consider conversion to employee ownership, either as a growth strategy or as a retirement strategy. Co-op members and economic development staff that work with them hope this co-op conversion will provide a model for others. CDI, IRSSC, SAS and other advisors will continue to work with the IEC in the future to help build a strong ownership culture and learn new management, governance and financial planning skills.

investment officer. “CEI was tremendously excited to help the IEC realize its goal to purchase these three businesses.”

CFNE has worked with cooperatives since 1975 and was able to contribute expertise to the lending process.

“We’re proud to commit to this very important worker-cooperative conversion, which preserves local ownership of these businesses and retains 65 essential jobs in the communities,” says Gloria

LaBrecque, Northeast loan and outreach officer with CFNE. “We congratulate the worker-owners of the IEC on this milestone achievement.”

Now that the employees own the businesses, they are excited to have a say in how they are run and a share in the profits they generate. As Vern Seile says: “Now it’s their turn to build on and improve what we have done.”

For more information, visit: www.cdi.coop, or www.ceimaine.org. ■

Sheets, Hamon, Geans named top co-op communicators

Co-op communications contest toppers

CCA's annual Co-op Communications Contest attracted 678 entries in 2014. Awards were presented at the Pittsburgh conference to winners in about a dozen categories in each of four competition areas: Writing, Photography, Campaigns/Projects and Publications.

The top award winners in each contest area included:

- **Writer of the Year** — Donna Abernathy, DLF Communications Services, was selected based on a portfolio of her work that included investigative and entertaining features, technical writing, co-op education articles and speech writing.
- **Publication of the Year** — The communications staff of Tennessee Farmers Cooperative won for a special report, "The Sum of Us." The co-op annually creates a "corporate identification" publication that has replaced its traditional annual report, but which still includes removable financial report inserts.
- **Photographer of the Year** — Mic Smith won for photography contributed to *South Carolina Living*, the statewide electric co-op association's member magazine. Smith was cited for capturing images that were consistently well lit and framed, including a difficult-to-shoot nighttime concert.
- **Programs and Projects, Best of Show** — Greg Brooks and Savannah Chandler of Georgia's Walton EMC won for the co-op's social media program, which scored a perfect 100. The campaign included efforts on Facebook, Twitter and "YouTube." Judges praised the "engaging voice," "clear and effective language" and the "ability to address different audiences."
USDA's *Rural Cooperatives* magazine won first place for editorial writing and third place for news writing. Both were won by Dan Campbell. For a full list of award winners, visit: www.communicators.coop.

Editor's note: The following is condensed and adapted from articles that originally ran in CCA News, the member newsletter of the Cooperative Communicators Assoc. The original articles were written by Sheryl Meshke of Associated Milk Producers Inc. (AMPI), Dana Kelroy of the Cooperative Network and Nickie Sabo of AMPI.



After more than 30 years as a "franchise player" in co-op communications, David Sheets has been named "most valuable player." Sheets is the 2014 recipient of the H. E. Klinefelter Award, the highest accolade bestowed by the Cooperative Communicators Assoc., recognizing a career devoted to advancing the state of co-op communications. As senior vice president at RushShelby Energy, Sheets directs the communications efforts of the 15,000-member electric cooperative that serves nine east-central Indiana counties.

CCA's other grand awards went to Chris Hamon, CEO for White River Valley Electric Cooperative Inc. in Branson, Mo., who won the CEO Communicator of the Year Award, and to Michelle Ricard Geans, who won the Michael Graznak Award, recognizing her as one of the nation's top young (under age 35) co-op communicators. She is a communications specialist for Baldwin EMC in Summerdale, Ala.

The awards were presented during the closing ceremony of CCA's annual Co-op Communications Institute, held in Pittsburgh, Pa., in early June.

Co-op career of accomplishment

In 1982, Sheets became the first full-time communications specialist for an electric distribution cooperative in Indiana. Three years later, he was a member of the first class to earn the Certified Rural Electric Communicator designation. In 1992, CCA presented him with the Graznak Award, recognizing him as an aspiring young communicator.

When Terry Jobe was named RushShelby's president and CEO in

2010, his first move was to name Sheets as the cooperative's senior vice president. "I wanted his experience and knowledge available to me and my board at all times," Jobe says. "I am a man of numbers who understands the value of working with a man of words."

With a seat at RushShelby Energy's senior management table, Sheets continues to elevate communications to a place of importance.

A common theme in nomination letters for Sheets was his ability to communicate an idea to a wide variety of people in a clear, concise manner. Sheets' responsibilities include media relations and communications, including coordinating the cooperative's annual meeting for 20 years. He also supervises employees responsible for member services, marketing, advertising and information technology.

As editor of the co-op's monthly member newsletter, Sheets leads a team that has been honored with numerous national communications and publications awards. His ability to mentor others "elevates him from a player to coach," award presenter Sheryl Meshke of Associated Milk Producers Inc. said.

The passion he shows for his work is equaled by contributions to his community. Dressed as a clown, he is a frequent entertainer at a children's hospital and he is beginning his 40th season as a high school sports official, working basketball, football and volleyball games, including officiating at state championship finals.

"Dave set the bar high for those of us who joined the cooperative communication business after him," says John English, retired manager of corporate relations for Noble Rural Electric Cooperative.

The tall and short of it: Graznak award winner Michelle Richard Geans requires a little boost in order to have an eye-to-eye conversation with Klinefelter award winner David Sheets. Photo by Chris Villines, Tennessee Farmers Co-op





Mic Smith was selected as “photographer of the year” for this portfolio of photos taken for South Carolina Living magazine, the publication of the statewide rural electric co-op association.



Tennessee Farmers Cooperative won “publication of the year” honors for “The Sum of Us,” which includes the financial information typically found in an annual report, along with other information that makes it a striking “identity” publication for the co-op.

CEO involves all in communications

Under Chris Hamon's leadership, White River Valley Electric Cooperative (WRVEC) "does more than communicate effectively; it embodies the cooperative idea of involving the member-owners and making the entire co-op, literally, a part of the effort," one selection committee member said. "Elected officials, policymakers and community leaders pay attention when they know they're receiving communications not just from one person speaking for an organization, but from the large body of people that organization represents and from its members individually."

Hamon was saluted for demonstrating his commitment to communication with his board, his staff, co-op members and the communities the co-op serves through his transparency and willingness to speak out on key cooperative issues. He includes communication staff in strategic planning and encourages their professional development.

Hamon, who has been with the co-op since 1985, has been willing to add staff to ensure that all forms of communication are well utilized. If a matter of national import arises in the energy industry, he promotes an active role for the co-op and instigates creation of local marketing campaigns to inform and energize the voting public, says Diana Bradford, marketing coordinator at WRVEC.

Among the communications efforts he has championed are:

- Member Alliance Program — a grassroots group that can be mobilized for action when legislative or other issues arise that require a quick response;
- Communicating through videos and commercials;
- Media Relations Day — A luncheon for the media in the co-op's five-county service area, which includes a talk by Hamon about vital issues for members and the general public.

- Member Appreciation Days — Each Friday in October, during National Co-op Month, the communications department arranges a lunch for members at one of the five WRVEC offices and takes the opportunity to visit with members about issues that may be affecting them and the cooperative.

Hamon also represents Oklahoma, Arkansas, Louisiana and Missouri on the National Rural Utilities Cooperative Finance Corporation, which helps to provide financing to



more than 900 cooperatives. In 2009, he won the J.C. Brown CEO Communication Leadership Award from the National Rural Electric Cooperative Association for "demonstrating a clear understanding of and commitment to the strategic role of communications in employee, member and community relations."

Multi-talented Graznak winner

Michelle Ricard Geans is a key player in producing Baldwin EMC's publications and is known for her abilities to design, photograph and write. She also shines when developing internal and external communications projects and campaigns.

A pivotal moment in Geans' co-op

career occurred when she began wearing a pink hard hat that eventually ignited the "Pink Power" campaign in 2011, which raised funds for breast cancer research. She first donned the pink helmet when photographing and interviewing co-op linemen and other employees. Soon, at their request, all work crews were wearing the pink hard hats to raise breast cancer awareness.

Geans designed the logo for the effort, photographed campaign highlights and wrote feature stories about it for the cooperative's *Alabama Living* magazine. The Pink Power campaign has received both state and national recognition. Now in its fourth year, the idea is spreading throughout the country.

"Michelle is always willing to lend a hand with a cause; she's always the first to help with any cooperative or employee project," says Rebecca Shobe, manager of communications for Baldwin EMC. "She has a genuine talent for leading others and encouraging them to get involved, and always manages to add a splash of appropriate humor in the mix."

That humor has been a part of the communication strategy for Geans, who previously worked for a TV station. For example, she took the common Southern adage "Bless your heart," and turned it into a slogan for Baldwin EMC's heart walk.

"Michelle has an eye for photography that tugs at the heart," says Graznak committee member Megan McKoy-Noe. "She breaks her writing into easy-to-consume chunks — a great tool in the age of shorter attention spans." Geans' work has earned multiple state and national awards, including the 2011 Cooperative Communicator of the Year for the state of Alabama.

From singing "This Little *Grid* of Mine" at a co-op event, to decking out the state of Alabama in pink hard hats, this Graznak winner makes life a bit brighter (and funnier) wherever she goes. ■

A woman wearing a black headscarf and a purple long-sleeved dress is crouching in a field, tending to several green plants. She is looking directly at the camera with a serious expression. The background shows a wooden trellis structure made of thin poles and lush green vegetation, including palm trees, under a cloudy sky.

The Missing Piece

Why women farmers are key to global food security

By Hannah Guedenet, Paul Guenette and Lydia Mbevi-Nderitu

Editor's note: The authors are all with ACDI/VOCA, where Hannah Guedenet is communications and technical manager; Paul Guenette is executive vice president for communications and outreach; and Lydia Mbevi-Nderitu is regional gender and youth specialist.



Since its founding in 1963, ACDI/VOCA has kept rural cooperatives at the heart of its vision of a world in which

people are empowered to succeed. This vision has resulted in millions of farmers and entrepreneurs achieving growth, thanks to the cooperative business model.

These cooperatives have mobilized capital, pooled knowledge and achieved scale. Such groups not only catalyze local economic growth, but often also serve as the “glue” for social initiative and effective, equitable community planning.

Cooperatives are an important way to group rural producers into an efficient, effective interface with markets — an essential condition that results in major contributions to local, regional and global food security. Farmers engaged in cooperatives not only increase their own incomes and household food security, but their improved food production and post-harvest handling practices lead to stronger food markets for the region.

Women are the ‘missing piece’

In recent years, it has become increasingly apparent that many cooperatives have been overlooking one

Nancy Winnie (facing page) is a member of a farmers’ group in Liberia that is working with ACDI/VOCA’s Liberian Agricultural Upgrading, Nutrition and Child Health (LAUNCH) project. The project works through farmer associations to teach growers how to use environmentally sustainable production techniques. Photos courtesy ACDI/VOCA

key group: women. Women farmers play a major role in food production, particularly in rural areas of the developing world. But they are often marginalized when it comes to accessing farming services, such as improved seeds, equipment and technical knowledge.

A recent report by the World Bank and ONE campaign found that female farmers in sub-Saharan Africa are 13 to 25 percent less productive, in terms of yields, than their male counterparts. The report suggests that closing this

gender gap could provide much-needed economic growth to the continent.

Lydia Mbevi-Nderitu, ACDI/VOCA regional gender and youth specialist, based in Nairobi, Kenya, has spent a large part of her career working with rural farmers. She has worked to find ways to increase women’s participation in, and benefit from, ACDI/VOCA’s projects. In the following excerpt, she shares her experience working with a large farmers’ association in East Africa to help them see the value of taking a gendered perspective to their approach.

“Early in my career, I was one of those who thought of farmers as men — I just lumped them all together and never really thought about the role women play in farming. My eyes were opened when a project I worked on was audited and scored poorly in gender integration. That led me on a new career path to learn more about how development projects could function differently and ensure that both men and women benefit.

“For 50 years, ACDI/VOCA has worked in development to ensure food security and economic empowerment for communities around the world. In 2012, ACDI/VOCA launched its gender policy, a commitment to women’s empowerment and mainstreaming gender in all its activities. ACDI/VOCA has learned through our work that using gender approaches and analysis is part of doing “smart” development. Gender approaches and tools allow us to bring an awareness of gender issues to our program design, implementation, and monitoring and evaluation activities. My role is to provide that gender support to our projects in Africa.

“As part of my job, I was introduced to a large farmers’ association in East Africa that has 25 million members and operates in 10 countries. In carrying out a gender assessment of their work, I found some of their leadership thought like I had: that their members were a homogenous group. They did not have membership data disaggregated by gender or age and couldn’t tell you how many of their members were women.

“Though the federation has provided services to its members since 2002, we agreed that the leadership needed to look closer at their membership base so that the services they provide are beneficial to all members of the household and, ultimately, the community. It was interesting to see that the national farmer leaders from Rwanda, Burundi and Congo whom I interacted with had very high levels of

knowledge about production and trade within the East Africa region, but most of these activities were going on without specifically incorporating the voices of half the population of the region — women.”

Adding a gender perspective

“Through our African Institutions Innovation Mechanism — Assist (AIIM Assist) project, I began the process of working with the federation leaders and staff in the secretariat to write a gender policy. The policy informs how they target both men and women in their service provision and ensures that benefits and services are equally distributed. Ultimately, their newly appointed gender and youth advisor presented a draft policy to the board of directors, which they approved.

“The policy outlines the federation’s commitment to gender equality and women’s empowerment at the secretariat level, where strategic decisions are made and at the farmer level where projects and proposals are developed. Going forward, the federation will routinely collect and report key data by sex and age. The federation will also ensure that services are designed to be accessible to and meet the needs of all members, based on gender analysis to be carried out by the secretariat.

“With the board’s commitment to the new gender policy, the federation is prepared to put in the effort required to ensure that this first step of developing a gender policy can result in gender integration in activities and programs. The move by the federation to develop and implement a gender policy will hopefully serve to strengthen the position of female farmers throughout East Africa.”



The gender policy the federation put in place is just the beginning in the complex and challenging task of empowering female farmers. Organizations that are resistant to change and existing power structures that are reluctant to cede power are daunting hurdles to overcome. Social patterns are firmly entrenched in decision-making systems, such as maintaining membership rosters based on the man’s name or tying membership eligibility to land title — which is often in the man’s name.

Women and food security

The shift to include female farmers and involve women members in farmers groups is vitally important, particularly in light of a growing global population and rising rates of food insecurity. Female farmers can play a significant role in improving food security, especially in rural areas.

When cooperatives like the one in East Africa ensure inclusive participation of female farmers in their activities, these women have access to new communication technologies that will inform them about improved seed varieties, cultivation techniques and post-harvesting handling strategies. According to the United Nations’ Food and Agriculture Organization, improving women’s access to the same productive resources as men could increase yields on their farms by 20-30 percent. This would ultimately lead to as much as a 17-percent decrease in the number of hungry people worldwide.

Financial institutions serving the “missing middle” space between formal banks and microcredit institutions are on the lookout for better ways to reach rural farmers. Cooperatives can provide that link — and cooperatives with an engaged female membership offer these institutions reliable borrowers.

Research shows that female borrowers are generally more likely than men to make their payments on time and repay loans in full. This access to finance continues to strengthen

women's ability to improve their farming practices and invest in new and better ways of growing their farms, which sets them on a path to more economic freedom and more security.

In addition to her work with farmers groups in East Africa, Lydia Mbevi-Nderitu played a pivotal role in incorporating gender in ACIDI/VOCA's Farming as a Business training module, which became Farming as a Family Business. This updated gender-sensitive approach addressed men's under-valuing of women's time, skills and contributions to farming activities.

In Kenya, the approach led to women taking on more on- and off-farm income-generating activities, including kitchen gardens, poultry production and sweet potato processing, which increased household food security. Farming as a Family Business also promoted women's participation in farmers associations and gave them a louder voice as leaders and change agents.

Aiding women farmers in Ghana

In Ghana, the Agricultural Development and Value Chain Enhancement (ADVANCE) project has worked closely with women farmers to improve their access to services. The project used short message services and voice messages in local languages to share agriculture advice, financial tips and market information with women farmers.

In one area of northern Ghana, the project trained women's groups on improved agricultural practices, such as planting in rows instead of broadcasting seed. It also connected the women with a "nucleus farmer" — a larger farmer who has access to markets, equipment and inputs — who provides them with fertilizer, improved seeds and plowing services. After the harvest, the small farmers repay for this help with bags of maize.

The women are now using improved

plant varieties and fertilizer and have increased their yields from one bag of maize per acre to seven-to-nine bags per acre. The nucleus farmer also appreciates working with the women, who have a high repayment rate of around 98 percent. As a result, nucleus farmers throughout the project intervention area started working with more women farmers; the proportion of participating small farmers who were women increased to 39 percent, up from 26 percent, over three years.

The key to achieving broader food security is to strengthen farmer cooperatives and federations. Such groups provide the crucial link between the world and the rural farmer. And farmer cooperatives cannot be strong when they ignore the abilities and contributions of half of the farmers. They can become stronger by affirming gender equality and by embracing women's empowerment at all levels of the organization. ■

The key to achieving broader food security is to strengthen farmer cooperatives and federations, according to ACIDI/VOCA. But farmer co-ops cannot be strong if they ignore the abilities and contributions of half of their farmers, such as this Kenyan grower in her maize field (holding a bag of improved maize seeds) and (facing page) these vegetable growers in Angola.





Our first year as a co-op

Real Pickles shares lessons learned since converting to a co-op



Members of the workers' co-op that now owns and operates Real Pickles in Massachusetts display some of their raw ingredients and finished products. The co-op has taken great care in to clarify the distinct responsibilities of the worker-owners, the board of directors and the staff. Photo courtesy Real Pickles. Cupcake photo illustration by Stephen Thompson/USDA.

By Kristin Howard

Editor's note: This article is reprinted, with minor changes, from Ferment, the Real Pickles' blog, at: realpickles.blogspot.com, where it was originally posted. The author is a worker-owner of the Massachusetts-based Real Pickles co-op.



We recently wrapped up our fiscal year at Real Pickles. In many ways, it was a typical year for the business.

Interest in fermented foods has continued to rise, and the year was another strong one for us.

As is often the case, the uncertainties of the growing season necessitated some creative problem solving; a wet spring in our region resulted in much less early cabbage than we were expecting. But in the end, we got all of the fresh ingredients we were hoping for and processed over 300,000 pounds of Northeast-grown vegetables during our production season. That's an increase of about 40 percent over last year!

What was different about this past year, however, was our business structure. May 9 marked the first anniversary of Real Pickles' transition from sole proprietorship to cooperative ownership. It took a lot of work to become a co-op; now the process of running the business involves both shared effort and reward for our new group of member-owners.

Some of what we encountered during our first year was expected, while other things took us a little more by surprise. As an increasing number of businesses consider transitioning to the cooperative model, we want to share some of our experiences so far.

Learning to be business owners

As Real Pickles made the structural shift to becoming a co-op owned by its employees, those of us who hadn't previously been owners knew we would have to make the mental shift to thinking like owners. Looking back a

couple of years, the process started with a group of us who worked together to figure out if Real Pickles' transition to a worker co-op made sense for the business and for each of us as individual potential owners. We spent quite a bit of time on activities that served the joint purpose of strategic planning and practicing the art of ownership.

Inspired by our friends at South Mountain Company (a "cooperatively owned design/build company" on Martha's Vineyard), we prepared an exercise that encouraged us to articulate what kind of growth we want for Real Pickles and the possible outcomes of different approaches for our future. Since completing the transition, we've continued this important strategic planning work.

To further foster a learning culture in our business, we started holding internal classes on five core topics: Social Mission, History of Real Pickles, the Cooperative Movement, Finances and Governance. While all staff people attend, all potential worker-owners are required to complete these classes before becoming part of the co-op. This has given us all a common base of understanding of Real Pickles as a cooperative business and some of the tools we need to be effective business owners.

The need to think like owners was highlighted when we recently were looking at increasing certain benefits for staff. In this case, it was starting a Real Pickles-sponsored retirement account, increasing our paid time off and implementing a family leave policy. While we as employees were, in principle, supportive of enhancing benefits for ourselves and our co-workers, as owners we also had to take responsibility for the impacts of these decisions on the business that provides us with employment.

When we looked at the costs in our budget for the next year, we ended up proceeding more cautiously, scaling back the new benefits for the upcoming year based on the understanding that

we will revisit this topic after we have another year as a co-op under our belts. We should then be able to better envision what long-term sustainability looks like.

Another example of new owners having to broaden their perspectives came recently when it was time for the first annual review of our general manager. A small group of board members was formed to conduct the review process.

This process of evaluating our general manager — who is also the business founder, hired many of us and to whom many of us directly report — exemplifies how the workers have had to step up and manage multiple roles with this new cooperative. In the end, the review went extremely well. It was a powerful experience for all involved and a clear example of what makes a co-op different from other business models.

Charting our future

Last May, as we looked forward, we knew that if the co-op was to be successful over time, we would have to make worker-ownership appealing to more staff people. We expected that other employees would see the value of being worker-owners, but we didn't expect it to happen so quickly. Even before we officially made the transition to a co-op, two more staff people expressed their interest in worker-ownership.

In the midst of working on our business strategy, investment campaign, incorporation and legal documents, we had to scramble to articulate the "path to worker-ownership" at Real Pickles, with an eye to finding the balance between making the ownership process clear and accessible to workers while maintaining a high level of training and engagement for potential new members.

We have also been careful to create clear distinctions between the responsibilities of the worker-owners, the board and staff. We wrote our bylaws with an eye to these issues but,

taking a cue from fellow worker co-op (and fair trade pioneer) Equal Exchange, we later also created a governance matrix that both lays out responsibilities from our bylaws (such as only a consensus of all worker-owners can amend Real Pickles' mission). Our bylaws also clearly communicate what

a board of advisors to help us look at strategic planning, particularly the issue of how to grow our business in a way that is thoughtful and sustainable.

This topic has provided fodder for energetic meetings, with lots of debate about competition, mechanization, growth and sustainability. As worker-

own employees, but also for customers who can see its benefits for the wider community.

Central to our vision as a sustainable, mission-based cooperative is further engaging our community — including the growers who supply us, the farm stands, food co-ops, natural food stores

“While we as employees were supportive of enhancing benefits for ourselves and our co-workers, as owners we also had to take responsibility for the impacts of these decisions on the business.”

body is accountable for other areas of the business (for example, the general manager creates the annual budget to be ratified by the board of directors). This clarity of responsibilities has served us well so far; the delineation of authority and oversight has also helped us to work efficiently.

For Brendan Flannelly-King, Real Pickles' facility manager and one of the five founding members, much of the work of setting up the co-op felt abstract and he says it was often difficult to imagine what it would be like to be an owner. “In some ways,” he says, “owning the business has been easier than I had expected. It's hard work, but since the worker-owners as a body aren't involved in operations, we have been able to really focus on strategy.”

As we look to our second year, we're working to anticipate the systems that will help us to be even better business owners and will help make future decisions as clear and simple as possible.

Real Pickles and our community

Real Pickles as a sole proprietorship has long had a strong network of support within the community, and we knew we would need to engage that network in a variety of ways as we made the transition to a cooperative. Soon after our transition, we gathered a group of community members to form

owners, we have been inspired and motivated by these discussions.

We have also found that the outreach work we did throughout the months leading up to our co-op transition has

and other businesses that carry our products, the people who purchase them, the investors who helped finance our transition, and the co-ops that have supported us along the way — as we



As they look to their second year as a co-op, members are working to anticipate the systems needed to become better business owners.

continued to benefit us. Real Pickles' local following has grown and become even more dedicated — we sold over 7,000 more jars in the Pioneer Valley in 2013 than we did in 2012! It is encouraging that worker cooperation appears to have value not only for our

chart the future success of our business.

Thanks to the many people who have supported us in this exciting first year of what we hope will be a long and inspiring journey. A co-op is a community effort, and we could not have done it without you! ■

Newsline

Co-op developments, coast to coast

Send co-op news items to: dan.campbell@wdc.USDA.gov

GROWMARK names Spradlin new CEO



Jim Spradlin has been named chief executive officer of GROWMARK Inc., effective Sept. 16, 2014. He succeeds Jeff Solberg, who will retire in September.

Spradlin was most recently GROWMARK vice president of agronomy. He has also served as manager of the co-op's energy and agronomy divisions. His other positions within the GROWMARK system of cooperatives include controller of Schuyler-Brown FS and regional administrative director/general manager of Piatt Service Co., among others.

"Jim has the skills, knowledge, experience and support to successfully lead GROWMARK into the future," says GROWMARK Chairman and President John Reifsteck.

Spradlin is a 1982 business administration and economics graduate of Illinois College, Jacksonville, Ill. He is one of five members of the industry advisory council for the Purdue University Center for Commercial Agriculture. He serves on the board of directors for The Fertilizer Institute and is a former local director of Rotary International.

"GROWMARK and its FS member companies have a long-standing reputation as a progressive and reliable supplier of quality products and

Critical co-op issues to be explored Nov. 6-7



The 17th Annual Farmer Cooperatives Conference, Nov. 6-7 in

Minneapolis, will provide a unique opportunity to hear cooperative leaders assess their business environment.

Among the speakers will be Åke Hantoft, Swedish farmer and board chair of Arla Foods, Denmark, who will discuss Arla's European expansion and the development of a governance system across countries. Other confirmed speakers include: Michael Boland, professor and director of the University of Minnesota Food Industry Center; Terry Fleck, executive director of the Center for Food Integrity; Andrea Bonime-Blanc, CEO and founder of GEC Risk Advisory; Phil Kenkel, professor at Oklahoma State University; Greg Wickham, senior vice president for business development, DFA; and Patrick Hessini, CHS vice president for transportation and distribution.

Topics will include:

• **Exploring Non-qualified and Unallocated Equity** — Are these alternative strategies the right choice for your cooperative? What is the right balance between growth and member-owner rights?

• **Assessing and Managing Risks in the Global Market** — Participants will assess risks faced by cooperatives and will leave with the tools to better understand and act on these risks.

• **Incorporating Sustainability Into Strategic Plans** — Industry experts will relate how to develop a long-term sustainability strategy.

• **Food, Agriculture and Consumer Trust** — Cooperatives will learn about new consumer trends, implications for the ag industry and steps to rebuilding the public's trust through transparency.

• **Transportation, Infrastructure and Impacts** — Industry experts will assess the impact of transportation challenges on the distribution system. Co-op leaders will share their unique experiences in overcoming transportation and logistical challenges.

• **Evaluating Risks and Benefits of Big Data** — This session will explore trends and impacts of big data on farmer co-ops.

For more information, visit: www.uwcc.wisc.edu, or e-mail Anne Reynolds at: atreynol@wisc.edu. ■

services, for being easy to do business with, and for its highly trained employees who operate with integrity,” Spradlin says. “It is truly an honor to have the support of the GROWMARK board of directors as we work together to guide the GROWMARK system.”

GROWMARK is a regional cooperative with annual sales of \$10.1 billion. It provides agronomy, energy, facility planning and logistics products and services, as well as grain marketing and risk management services in more than 40 states and Ontario, Canada.

Agreement to boost Kenya's co-op sector

An agreement signed June 4 by NCBA/CLUSA and the government of Kenya solidifies the co-op trade association and international development organization's leadership in Kenya's cooperative sphere. The pact

At a ceremony in Nairobi, Mike Beall, CEO and president of NCBA/CLUSA, and Wilson Songa, executive secretary of Kenya's Ministry of Industrialization and Enterprise Development, signed a memorandum of understanding, which had been a year in the making.

“Both NCBA/CLUSA and the Kenyan government are committed to the development of rural communities through cooperative development, capacity-building, enhanced food security and livelihood improvement — especially among women and young people,” says Amy Coughenour, the association's chief operating officer for international development.

About 70 percent of the population of Africa is under age 30, making young people a key demographic to engage in development, Beall says. NCBA/CLUSA has been active in Kenya since

and health.

Currently, NCBA/CLUSA heads Yes Youth Can!, a project that grooms thousands of disadvantaged young people for future employment, entrepreneurship and community leadership. It also implements the Cooperative Development Program in Kenya, which enlists cooperatives to advance food security and nutrition for mothers and children under the age of five.

Beall was also among a team of program facilitators and mentors in Nairobi helping the first-ever, continent-wide African Cooperative Development Education Training program. The focus was on savings and credit cooperatives (SACCOs) as key players in sustainable community growth.

Beall also traveled to Mombasa, on the Kenyan coastline, to meet with a group working to save money at the local SACCO to help build small businesses. They have launched a motorbike taxi service, a barbershop, a cinema, a video game arcade and a “chip (French fry) shop” in Mombasa.

Beall also met with a group of community health volunteers who follow cooperative principles. The volunteers undergo training by NCBA/CLUSA staff and partners, then work within their local communities to raise awareness of HIV prevention, safe birthing practices and other health issues.

I Love My Farmers Market celebration

American Farmland Trust's (AFT) *I Love My Farmers Market* celebration is a summer-long effort asking consumers to champion their local family farmers by shopping at a nearby farmers market, many of which are cooperatives. You can vote for your favorite farmers market until midnight on Sept. 13.

AFT says supporting family farmers helps them to steward and protect their land from development. The 100 Most Celebrated Farmers Markets will be showcased on a continuously updated



NCBA/CLUSA President/CEO Mike Beall (left) and Wilson Songa, executive secretary of Kenya's Ministry of Industrialization and Enterprise Development, sign an agreement formalizing the role of Beall's organization in helping to boost Kenya's co-op business sector. Photo courtesy NCBA/CLUSA

is also expected to better position NCBA/CLUSA for future work in the country. Cooperatives in Kenya are at the forefront of enhancing productivity in agriculture while fighting poverty and promoting economic and social equity.

2001, creating and implementing development projects that strengthen rural enterprises and facilitate access to improved health services, food production, information and products that lead to increased profitability and competitiveness in food security

Alpaca herd rescue shows need for education



All of the alpacas rescued a few months ago from an Oregon farm have been placed with new owners. While the market is developing for fashion items made from the exquisite wool of alpacas (below), raising these animals is "most definitely not a get-rich-quick scheme," warns the Alpaca Owners Association Inc. (AOA). Photos courtesy AOA

The rescue of a herd of 176 alpacas in dire need on an Oregon farm was coordinated earlier this year by Cross Creek Alpaca Rescue. Outraged by the poor condition of the animals, the Columbia Alpaca Breeders Association (CABA), the Northwest regional affiliate of the Alpaca Owners Association Inc. (AOA), donated more than \$6,500 toward the care of the rescued alpacas, which were housed at the Oregon State University School of Veterinary Medicine.

AOA members throughout North America have made further donations for the care of the animals. As of early July, all of the alpacas had been placed with new owners, except for two that will become part of the university's herd.

The exact circumstances that led to such dire conditions for the herd are uncertain, but the situation underscores the need for continued education to help prevent similar situations from occurring, AOA says.

The alpaca industry has grown steadily in North America during the past 30 years, numbering about 230,000 registered animals at present. But it is not a "get rich quick with a part-time job" venture, AOA stresses. Many people make a successful living in the industry but, as with any business, research and hard work are necessary.



A good way to start researching the business is to talk with other alpaca ranchers in your area. A listing of farms can be found at: www.alpacainfo.com. A helpful repository of information about alpacas can be found at: www.ariACADEMY.com.

"Learn from someone with experience and integrity," says Lona Nelsen Frank, owner of ALPACAS of Tualatin Valley LLC in Beaverton, Ore. "Buy your first alpacas from someone who will mentor you 24/7 — not just at the point of purchase, but in the future." Another great way to learn

about the industry is to attend alpaca shows and events.

Thomas and Connie Betts of Cascade Alpacas of Oregon in Hood River, Ore., say a well thought-out, detailed business plan has helped them to succeed. "Keep focused on your goals and pay attention to cash flow and expenses. It is important to not go into debt, in case things don't turn out," Connie Betts says. "From the beginning, we were prepared for worst-case scenarios."

Beth Osborne of the Alpaca Hacienda in Temecula, Calif., originally concentrated solely on breeding high-end stock. Her focus today is to be an asset to her community by providing jobs, hosting community events and tours and by providing community service hours for high school students. She sells handcrafted alpaca-fiber products at her farm store and boards alpacas at her ranch to earn additional income.

AOA, based in Lincoln, Neb., is the largest alpaca association in the world. It facilitates the expansion of a strong, sustainable alpaca industry through the tracking of bloodlines, registration, education, the national show system, marketing and public relations. For more information, visit: www.alpacainfo.com.

scoreboard at: <http://lovemyfarmersmarket.org/>, where you can also go to vote. The final Top 100 will receive a special seal to place on their outreach materials.

Co-op promotes SweeTango apples

Growers of SweeTango apples are planning a “full-on retail campaign” this fall featuring an interactive map populated with retail locations, provided by consumers’ Tweets and texts. Growers are capitalizing on the apple’s short season, called a “hyper-season,” to encourage consumers to get into the “sweet spot of apple season” with SweeTangos, according to a co-op

news release. The apple is available only from September into November. In 2013, the entire crop sold out in 60 days.

Only growers who are members of Next Big Thing, a growers’ cooperative in Lake City, Minn., are allowed to grow the SweeTango, developed by using traditional plant crossbreeding techniques. Co-op members share their

expertise with each other to refine methods for growing, harvesting and shipping this new variety.

Apple breeders at the University of Minnesota spent more than a decade developing the Minneiska cultivar, the apple tree that produces SweeTango. In 1908, the University of Minnesota created the Fruit Breeding Farm, now known as the Horticultural Research Center, on 80 acres near Victoria, Minn. During the next century, the farm grew to become a center of fruit research and breeding, particularly for northern climates. Apple varieties that have been named and released by the university include Fireside, Haralson, Honeygold and, more recently,



Chefs Vinny Dotolo and Jon Shook celebrate the arrival of SweeTango apple season by showcasing recipes at a media event/luncheon held last year at a restaurant in Los Angeles. The apples are grown by the Next Big Thing cooperative. Photo by David McNew

Honeycrisp and Zestar.

The cooperative has traditional retail tools available, including recipe cards and signage. The Sweet Spot campaign is also scheduled to include social media contests and giveaways via SweetTango channels.

Illinois grain co-op to merge with CHS

Members of Carrollton Farmers Elevator, a grain cooperative based in Carrollton, Ill., in early June approved a merger with CHS Inc., the nation's largest farmer-owned cooperative. The proposal passed with a 75-percent approval and will become effective in September, pending approval by the CHS board and appropriate due diligence by both organizations.

Carrollton Farmers Elevator has served the grain merchandising and handling needs of farmers in southwestern Illinois since 1918. Upon completion of the merger, the Carrollton operation will join with the current CHS Country Operations business unit based in Lowder, Ill.

"The Carrollton Board has always worked hard to maintain a strong balance sheet, so we could take advantage of opportunities like this one," says Rick Steinacher, Carrollton Farmers Elevator board chairman. Chris Howard will serve as location manager under the new business, reporting to CHS-Lowder General Manager John Bender.

In other CHS news, Gleadell Agriculture Ltd., in Lincolnshire, England – the United Kingdom's third largest agricultural trading and distribution company — and CHS Europe Sarl, a division of CHS Inc., have entered into an agreement under which CHS will provide global fertilizer sourcing, mainly granular urea, to support Gleadell's ag supply chain.

CHS Europe Vice President and General Manager Roger Baker said the partnership is part of the cooperative's focus on global fertilizer distribution expansion.

Diglio new GM at Michigan Milk

Michigan Milk Producers Association (MMPA), Novi, Mich., has named Joe Diglio as the cooperative's



new general manager. Diglio has been serving as acting general manager since May.

Diglio has 23 years of experience with MMPA, serving most recently as the director of finance and controller. He has served in a variety of capacities in the accounting department. He holds a bachelor's degree from Wayne State University and is completing a master's degree in management at Walsh College.

"We believe Joe's extensive knowledge of the co-op's operations and management will provide a solid foundation as he takes over the leadership of the MMPA team," says Ken Nobis, dairy farmer and MMPA president. "We are excited about the opportunities we see on the horizon for MMPA, and we have the utmost confidence in Joe and the rest of the MMPA staff."

As MMPA general manager, Diglio will lead 200-plus employees, providing milk marketing services to dairy farmers in the Great Lakes region. MMPA operations include milk processing facilities in Ovid and Constantine, Mich. During the last fiscal year, MMPA marketed more than 4 billion pounds of milk for its 2,000 farmer-owners in Michigan, Wisconsin, Ohio and Indiana.

USDA investments help grow rural businesses

Agriculture Secretary Tom Vilsack in May awarded loans and grants to organizations in 14 states to support rural infrastructure, job creation and business development.

"Our small rural businesses need

first-class infrastructure to be world-class competitors in the global economy," Vilsack said. "To achieve our community-based development goals, USDA is investing in the infrastructure of the rural economy by providing loans and grants to local partners who can leverage the funds with other financing for projects that have broad economic impacts."

The funding is being provided through USDA's Rural Economic Development Loan and Grant (REDLG) program. Under this program, USDA provides zero-interest loans and grants to utilities that lend funds to local businesses for projects to create and retain employment in rural areas. The revolving loan funds broaden the program's reach and create a multiplier effect for its impact.

The funding will help organizations such as the Benton Rural Electric Association in Washington, which will use a \$750,000 loan and a \$300,000 grant to expand the wastewater treatment facility at the port of Sunnyside. This project serves value-added agricultural processing facilities in the Pacific Northwest. With improvements made possible by this investment, 50 jobs will be created and 263 others will be saved.

The Southern Pine Electric Power Association in Taylorsville, Miss., is receiving a \$2 million loan that will be used to help Polk's Food Products remodel internal refrigerant and process-control systems at its 50,000-square-foot plant in Magee, Miss. The project will help save 115 jobs in Simpson County, a persistent poverty area.

USDA is assisting Simpson County through its StrikeForce Initiative for Rural Growth and Opportunity, an effort launched in 2010 to reduce poverty by increasing investments in rural communities through outreach and stronger partnerships with community leaders, businesses, foundations and other groups working to combat poverty.

In total, Vilsack announced \$22.3

million in loans and grants for REDLG projects in 14 states.

Second Harvest opens distribution center

Second Harvest of South Georgia recently opened a 65,000-square-foot regional distribution center in Thomasville, Ga. Second Harvest is the state's largest rural food bank, serving 30 Georgia counties. More than 90 percent of its service area has experienced high poverty rates in recent years.

The new distribution center was financed through a \$5.2-million Community Facilities loan from USDA

buy fresh, local produce on site.

Second Harvest's farmers market will join 4,000 others nationwide that accept SNAP (Supplemental Nutrition Assistance Program benefits, formerly called food stamps).

Education is key to Second Harvest's efforts. Children and adults can "get their hands dirty" learning about gardening at its onsite "food forest." Nutrition classes will teach kids about the importance of fruits and vegetables for a healthy diet.

Food banks that provide marketing assistance, storage, aggregation and distribution services are popping up all over the country, says Elanor Starmer,

Iowa co-op producing cellulosic ethanol

Quad County Corn Processors (QCCP), a farmer-owned cooperative, is now producing cellulosic ethanol at its plant in Galva, Iowa. An \$8.5-million distillation unit is enabling the co-op to convert corn kernel fiber into cellulosic ethanol, in addition to traditional corn-starch ethanol, according to a report in the *Sioux City Journal*.

The process, developed by the co-op, involves converting and processing more from each kernel of corn, co-op CEO Delayne Johnson says. "Through hard work and forward-thinking



Second Harvest's new, 65,000-square-foot regional food distribution center in Thomasville, Ga., benefitted from \$5.2 million in funding from USDA Rural Development.

Rural Development. The center includes a commercial kitchen and an indoor/outdoor marketplace. The center also triples the organization's storage capacity to a total of 5 million pounds of food.

Second Harvest is also positioning itself to become one of the country's more than 300 food hubs, which aggregate and distribute local foods. As a food hub, Second Harvest will help open up new markets for farmers and increase availability of local foods. A weekend farmers market will connect farmers directly to consumers, who can

senior advisor to Secretary Tom Vilsack for local and regional food systems. She cites New York's Foodlink and Food Bank of North Alabama as examples of operations that are integrating local food into their service programs and product mix.

"Turning food pantries into local food hubs is a win-win for producers and consumers and is helping rebuild local economies," Starmer adds. To learn more about USDA programs for food banks, visit: www.usda.gov and enter "Know Your Farmer" in the search box.

innovation, we're excited to be the first cellulosic ethanol producers in Iowa," Johnson said in an announcement from the co-op. "Our Adding Cellulosic Ethanol (ACE) project will not only increase our plant's production capacity by 6 percent, but it will also continue to boost energy security and provide consumers with more low-cost, cleaner burning ethanol without adding any additional corn to the production process."

The 35-million-gallon-per-year plant will use the corn kernel fiber to produce an additional 2 million gallons of

cellulosic ethanol without having to increase the amount of corn it buys.

The co-op's roots go back to 2000, when six northwest Iowa producers formed Quad County Corn Processors and signed an option to buy 102 acres of land south of Galva. They started fundraising to build an 18-million-gallon ethanol plant. In just six weeks, more than 420 Iowa farmers invested in this value-added project.

In February 2002, the first load of ethanol was transported out of the plant by truck. Thirteen years later, QCCP employs 35 people who operate the plant 24 hours a day, producing up to 100,000 gallons of ethanol daily.

USDA funding supports bioenergy research

Agriculture Secretary Tom Vilsack in June announced up to \$14.5 million in funding for two USDA bioenergy programs, made available through the 2014 Farm Bill. USDA Rural Development announced that it is accepting applications from companies seeking to offset the costs associated with converting fossil fuel systems to renewable biomass fuel systems. USDA's National Institute of Food and Agriculture (NIFA) announced the availability of \$2.5 million in grants to enhance national energy security through the development of bio-based

transportation fuels, bio-power and new bio-based products.

At the same time, USDA also announced a valuable new aid for bio-energy businesses: the Bioeconomy Tool Shed. The Tool Shed is a portal offering users access to a complement of web-based tools and information, statistical data and other resources related to the sustainable production and conversion of biomass into products and fuel, a process often referred to as the bioeconomy.

USDA plans to make up to \$12 million in payments for eligible bio-refineries through Rural Development's Repowering Assistance Program, which

Hall of Fame, Class of 2014



The Cooperative Development Foundation (CDF) recently inducted a new group of "co-op heroes" into the Cooperative Hall of Fame. The 2014 inductees are (from left): Papa Sene, who helped spread co-op values globally during his three decades as senior technical advisor for NCBA/CLUSA; Harriet May, who led the effort to make home ownership more affordable for lower income and minority people as leader of the Government Employees Credit Union in El Paso, Texas; Martin Lowery, executive vice president of external affairs for the National Rural Electric Cooperative Assoc., who has been a strong advocate of the co-op business model for more than 30 years; and Barry Silver, executive vice president of National Co-op Bank, who for 33 years has helped thousands of co-ops secure financing. For more information about these and past inductees, visit: www.heroes.coop. Photo courtesy CDF

was reauthorized by the 2014 Farm Bill. Bio-refineries in existence on or before June 18, 2008, are eligible for payments to replace fossil fuels used to produce heat or power with renewable biomass. The deadline for applications is September 15, 2014. For details on how to apply, see page 34,280 of the June 16 Federal Register.

USDA is also seeking applications for NIFA's Sun Grants program that encourages bioenergy and biomass research collaboration between government agencies, land-grant colleges and universities and the private sector. The program provides grants to five grant centers and one sub-center, which then will make competitive grants to projects that contribute to research, education and outreach for the regional production and sustainability of possible bio-based feedstocks. The project period will not exceed five years.

Nebraska co-ops to merge

The boards of Central Valley Ag Cooperative (CVA) and United Farmers Cooperative (UFC) met July 1 to ratify

B. Dickinson serving as CEO. CVA had sales of \$687 million in fiscal year 2013 with a local net profit of \$13.5 million. UFC had sales of \$709 million in fiscal 2013, with a local net profit of \$9.8 million. The combined co-op would have ranked as the 21st largest ag co-op in the nation in 2013.

The new CVA will consist of 66 locations across eastern Nebraska and northern Kansas with more than 800 employees. The cooperative offers a wide range of products, services, information and innovation through its agronomy, energy, feed and grain divisions.

"I am very pleased that the patrons of both cooperatives entrusted the vision and due diligence of their board members and leadership teams to approve their recommendation to merge two strong cooperatives focused on creating value for our customers," says Dickinson. "The new CVA will provide the opportunity for expanded services and facilities, increased savings and accelerated equity redemptions for the benefit of our member-owners. We also expect to be able to attract and

this one is undoubtedly the very best, in every measurement. Very exciting times are in our future."

CVA was formed in 2003 by the combination of Agland Co-op of Oakland, Central Farmers Cooperative of O'Neill, and Tri Valley Cooperative of St. Edward. CVA merged with Northeast Cooperative in 2005, adding nine locations, and later that year purchased the assets of Precision Agronomy LLC and continued business through their seven locations.

UFC was created in 2001 from the merger of United Co-op Inc. of Hampton, Farmers Cooperative Association of York, and Farmers Co-op Business Association of Shelby. In 2005, UFC acquired the Greenleaf, Haddam, Linn, and Washington locations in Kansas, with a number of other acquisitions being made prior to the current merger.

Policinski honored as 'Master Entrepreneur'

Land O'Lakes Inc. President and CEO Chris Policinski was named the 2014 Master Entrepreneur of the Year in the Upper Midwest by Ernst & Young (EY). EY says the prestigious award honors business leaders in 145 cities across 60 different countries around the world.

EY says this is its 28th year of "recognizing inspiring people and their contributions, specifically innovative entrepreneurs who show success in financial performance and personal commitment to their businesses and surrounding communities."

"It's a great honor to accept this award, but the true champion of entrepreneurship at Land O'Lakes is our dedicated workforce, who contribute their efforts each day to bring our vision to reality," says Policinski. "Their innovative thinking drives great work that is helping to feed a growing global population and positively impacting the world in many ways."

The Upper Midwest region of the program encompasses businesses based in Minnesota, the Dakotas, Iowa and Nebraska. ■



The East Hub facility of Nebraska's Central Valley Ag Cooperative (CVA), which will merge with United Farmers Cooperative, effective Sept. 1. The merged co-op would have ranked as the nation's 21st largest ag co-op last year. Photo courtesy CVA

votes cast by their respective member-owners, approving the merger of the two co-ops, effective Sept. 1, 2014. In a joint announcement, the two co-ops said the vote was "overwhelmingly in favor" of the merger. Nebraska law requires two-thirds of the votes to be cast in favor of such a proposal in order to be ratified.

The unified cooperative will retain the Central Valley Ag name and will be headquartered in York, Neb., with Carl

retain the best employees."

Initial merger discussions between the co-ops began in early 2013, with the respective boards meeting in March 2014 to unanimously approve the merger plan that was later put to a vote by the members.

Doug Derscheid, current CEO of CVA, says that in his 44 years of cooperative employment, including 38 in CEO positions, he has witnessed many mergers and acquisitions. "But

Co-ops: leadership with a difference

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of how its famous brand would be used in marketing foreign oranges.

Sunkist's adoption of offshore sourcing is an example of how cooperative leadership can achieve a member consensus. The process was aptly described as: "The changes being made at Sunkist are evolutionary, not revolutionary" (Smith).

Adopting policies for trading foreign-sourced commodities is an example of how agricultural cooperatives gradually develop a member consensus. Although foreign trade is a particular issue that most cooperatives do not confront, it demonstrates a process of leadership in working with members that is applicable to many issues.

Building consensus

Cooperative leadership involves effective communication with an informed membership. Members are neither followers nor obstructionists.

They are an important part of decision-making in that they must understand how the cooperative operates and why it has to address changes in its industry.

While the manager needs foresight

Directors need the skill to use member input to improve decision-making, while preventing diverse views from becoming a source of divisiveness.

to identify impending changes, the directors work to make such strategic changes appropriate for the cooperative and understood by members. Leading a cooperative is a multi-faceted enterprise, and successful leadership is usually not the exclusive

accomplishment of one person.

Consensus is often regarded as the prevailing view of a group. In a cooperative, consensus provides the cohesiveness for members to want to continue their membership. At any point in time, a member consensus may not reflect what a cooperative needs to do for economic survival. When management and directors see a need for change, an important part of their leadership is building a consensus for major decisions to be made. ■

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the northeast Ohio region, he added, citing "The 25 Percent Shift," a report posted at www.neofoodweb.org.

In addition to supplying fresh produce, meat, cheese, eggs and a variety of value-added products to families, restaurants and other businesses, the co-op is participating in a farm-to-school program that includes 12 schools districts. The next step in expanding institutional buyer networks, according to Melissa Miller, Lake-to-River marketing manager, is a workplace wellness initiative where a local autoworkers union will cooperate in launching a healthy food box initiative that includes on-site delivery from the Online Ordering System of L2R.

The co-op has also worked to create a corner store initiative through collaborations with three retail food stores located in "food deserts" within the co-op's market area and has learned the many challenges to improving low-income household purchasing and dietary habits.

The institutional sales effort includes a partnership with the Sisters of Humility of Mary Health System, where in-hospital farmers' markets are part of a Healthy Food Rx program, which helps finance food purchases for obese and diabetic patients. The Humility of Mary order also owns a convent farm.

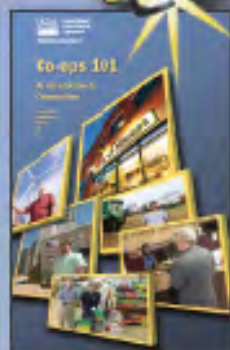
The Villa Maria convent is celebrating its 150th anniversary this summer. The Sisters of the Humility of Mary oversees 726 acres in western Pennsylvania, including a 280-acre

farm. The Villa Maria convent is a member of the Lake-to-River Food Co-op. As much as 50 percent of the produce grown on the farm is given to the less advantaged through local food banks, shelters and parishes.

The farm also grows grain and hay and operates a community-supported agriculture service, which has a waiting list at present. It also operates an on-farm market, maintains a herd of beef cattle (all feed is grown on the farm), has a small flock of sheep and operates a large, year-around greenhouse. Land management at the farm "is based on spirituality, sustainability, simplicity and the preservation of all local life systems."

It is farms such as this that are helping Lake-to-River Co-op rebuild "an abundant local food source with new, old, urban and rural co-ops," Converse said. ■

Tune up your CO-OP



Co-ops 101: An Introduction to Cooperatives (CIR 55)

Probably the most-read co-op primer in the nation, this report provides a bird's-eye view of the cooperative way of organizing and operating a business. Now in an exciting new full-color format.



Cooperative Statistics 2012 (SR 74) (Web Only)

How well does your co-op measure up in comparison with others? This report helps you find out. A wealth of detailed information about 2012 including co-op assets, financial ratios, balance sheets, and income statements for various commodity sectors help you evaluate your own co-op's performance.



Vital Steps: A Cooperative Feasibility Study Guide (SR 58)

This guide explains why a feasibility study is necessary for new business ventures, while also addressing the limitations of such studies. The report provides a step-by-step guide for feasibility studies, with key actions for each step clearly defined. Includes sample cash-flow, income and balance sheets, among others.



The Role of Food Hubs in Local Food Marketing (SR-73)

Consumers are willing to pay a premium for locally-produced foods. But producers are often handicapped by the lack of locally-based distribution systems. The food hub is one collaborative distribution system for local and regional food that shows great promise. This report presents an overview of the myriad issues facing food hubs across the United States.



Member Satisfaction With Their Cooperatives (RR 229) (Web Only)

Dairy cooperatives have adopted a wide range of organizational structures. In some cases, this resulted in fairly bureaucratic, complex business organizations that require high levels of management expertise. This study looks at how such organization affects the satisfaction members have with their cooperatives.



The Circle of Responsibilities for Co-op Board Members (CIR 61)

All boards of directors are under increasing pressure to perform well and justify their decisions. Cooperative boards are no exception. This series of articles, originally printed in USDA's *Rural Cooperatives* magazine lays out fundamental guidelines for cooperative directors to follow.

Is your cooperative delivering maximum performance for its members? To help ensure that it's "firing on all cylinders," request copies of any of the publications on these pages. Or download them from the Web. Either way, there is no cost.

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Cooperative Employee Compensation (RR-228)

Employee compensation is the largest expense item for most cooperatives, averaging 4 percent of sales. This publication provides a comprehensive survey of compensation rates and benefits of U.S. agricultural co-ops.



Nominating, Electing and Compensating Cooperative Directors (CIR 63)

This report examines the various methods co-ops use for nominating board candidates, voting policies of agricultural co-ops and compensation practices for co-op directors. It also includes a look at the types of leadership skills needed by co-op board members. This collection of articles originally appeared in USDA's *Rural Cooperatives* magazine.



Sample Policies for Cooperatives (CIR 39)

This handbook provides directors and managers of cooperatives with guidelines for writing, adopting and implementing policies. As co-ops mature and longtime directors and employees retire, many oral and implied policies are lost, making it crucial that formal, written policies be adopted to help a co-op attain established goals and objectives.



Marketing Operations of Dairy Cooperatives, 2012 (RR 230) (Web Only)

Farmer owned and operated dairy cooperatives continue to provide the most significant channel for marketing milk from the nation's dairy farms. The number of dairy co-ops is declining, but those remaining are handling larger volumes. This thorough, comprehensive study describes their continuing evolution in today's ever-changing market environment.



Comparing Cooperative Principles of the U.S. Department of Agriculture and the International Cooperative Alliance (RR 231) (Web Only)

The cooperative principles of the U.S. Department of Agriculture and those of the International Cooperative Alliance (ICA) have evolved in slightly different directions since the Rochdale statement of 1860. This report compares the two sets of cooperative principles regarding how they distinguish that form of organization from other forms of business.



Keys to Successful Co-op Housing (SR 44)

This report examines practices and attributes associated with successfully developing and operating a housing cooperative. While the focus of this guide is on low-income housing co-ops, the principles discussed can be applied to any type of housing co-op.

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