



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

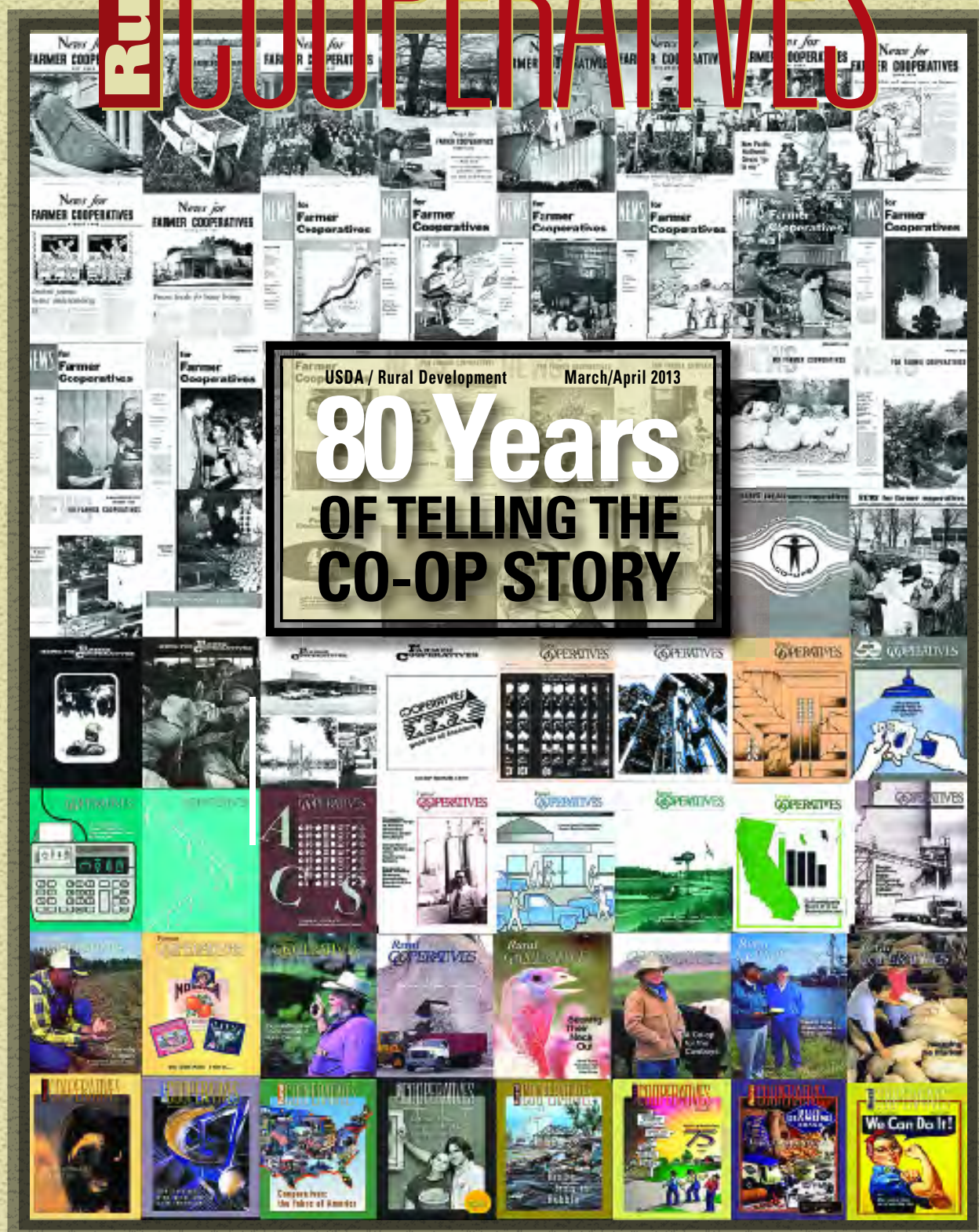
**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

# Rural COOPERATIVES



United States  
Department of  
Agriculture



# Commentary

## Co-ops understand and enhance power of community

**By John Padalino, Administrator**

Rural Utilities Service

USDA Rural Development

***Editor's note:** this commentary is based on excerpts from an address Padalino made at the annual meeting of the National Rural Electric Cooperative Association in New Orleans in February.*

**R**ural electric cooperatives understand the power of community.

As community leaders, rural electric cooperatives work to improve the quality of life and understand the need for economic growth. Rural electric cooperatives understand the importance of reliability — not just reliable electric power, but reliable leadership.

Cooperatives have been delivering electricity for over three-quarters of a century. Today's co-ops deliver more than energy; as leaders, they invest in their communities, which translates into assets not just for the U.S. economy, but for the world.

Rural electric cooperatives wrote the book on hard work, long hours and leadership. Cooperatives understand member service and take their responsibilities seriously.

In the midst of disasters, rural electric co-ops go above and beyond the call of duty.

But their work to keep the service online begins long before a storm ever shows up on any radar. It begins with the hiring of qualified staff, training and developing that staff, planning with long-range forecasts and the development of an emergency response plan and all the other preparation required to run a utility.

Storms such as Hurricanes Katrina and Sandy and other disasters remind us of how important rural electric cooperatives are to the communities they serve and to the people who live in them.

Cooperatives understand that system investment — just like system reliability — is not an option. So they invest in: constructing physical infrastructure, planning and preparatory activities, training and technical assistance, and in a qualified workforce. These investments deliver reliable, affordable electricity.

Cooperatives are equally capable of serving the needs of

rural families and businesses and providing economic opportunity for rural areas for years to come.

At USDA Rural Development, we understand this and are proud to play our part in ensuring that the network of rural electric systems remains strong. Since 2009, Rural Utilities Service's (RUS) nearly \$22 billion in investments resulted in 627 electric loans in rural areas nationwide. These electric projects benefit nearly 9 million rural residents annually.

RUS has been serving rural America for over 77 years. During that time, our environment has changed. To continue to meet critical infrastructure needs of our rural communities, RUS needs to modernize.

We look to the core values of customer service and continuous process improvement. These values will guide us as we work to make delivery of our programs more effective and efficient. These core values come from the preamble of the Constitution: "We the people of the United States, in order to form a more perfect union..." As a federal agency, we need to always look for ways to improve — to form a more perfect union.

Our business process review will streamline the way we work. We are updating our regulations and policies and taking steps to more effectively manage our portfolio. We are especially focused on customer service.

I don't have to tell you that competition for federal dollars is high, and federal agencies are being asked to do more with less. Our electric program staff is now smaller, making it important to hear your recommendations as to how we can work better with you.

Energy efficiency programs are a perfect example of how co-ops meet community needs. In his State of the Union message, President Obama focused on energy efficiency as a means of empowering communities. RUS is in the process of establishing a new energy efficiency program. With your help, we will make loans to help reduce electricity consumption and increase efficiency of electric generation, transmission and distribution, and encourage the use of renewable fuels.

This program will expand funding available for energy efficiency projects for business and residential consumers and help strengthen rural communities and rural economies. RUS's energy efficiency and conservation loan program will be among the newest in the Rural Development family to

*continued on page 42*

# Features

Volume 80, Number 2  
March/April 2013

**Rural Cooperatives** (1088-8845) is published bimonthly by USDA Rural Development, 1400 Independence Ave. SW, Stop 0705, Washington, DC. 20250-0705.

The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of the Department. Periodicals postage paid at Washington, DC. and additional mailing offices. Copies may be obtained from the Superintendent of Documents, Government Printing Office, Washington, DC, 20402, at \$23 per year. Postmaster: send address change to: Rural Cooperatives, USDA/RBS, Stop 3255, Wash., DC 20250-3255.

Mention in Rural Cooperatives of company and brand names does not signify endorsement over other companies' products and services.

Unless otherwise stated, articles in this publication are not copyrighted and may be reprinted freely. Any opinions expressed are those of the writers, and do not necessarily reflect those of USDA or its employees.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice), or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.



**Tom Vilsack**, Secretary of Agriculture

**Dallas Tonsager**, Under Secretary,  
USDA Rural Development

**Dan Campbell**, Editor

**Stephen Hall / KOTA**, Design

Have a cooperative-related question?  
Call (202) 720-6483, or email:  
[coopinfo@wdc.usda.gov](mailto:coopinfo@wdc.usda.gov)

This publication was printed with vegetable oil-based ink.



p. 10



p. 22



p. 32

## 4 Keeping their co-op alive

How the Isla Vista Food Co-op used 'crowd funding' to pave a new way

*By Aja Lawson*

## 7 Survey reveals co-op employee compensation trends

*By E. Eldon Eversull*

## 10 Specialty Potato Alliance

Marketing alliance wins new buyers 'one tastebud at a time'

*By Anne Todd*

## 16 Telling the co-op story

USDA journal marks 80 years of promoting co-ops as powerful, self-help economic tool

*By Dan Campbell*

## 22 Organic Valley turns 25

## 24 The Need for Speed

Ursa Farmers Co-op works with FCC Services to prevent member profits from heading down river

## 26 Worker Cooperatives

Another variation on the co-op business model

*By Charles Ling*

## 29 Effort launched to assist worker co-ops

*By Joe Rinehart*

## 32 Smart Growth

Brattleboro Co-op's development includes downtown housing

*By Molly Lambert*

# Departments

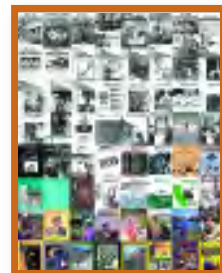
**2 COMMENTARY**

**14 FOCUS ON**

**30 CO-OP & COMMUNITY**

**35 NEWSLINE**

**ON THE COVER:** *Rural Cooperatives* — including the years it was called *News for Farmer Cooperatives* and *Farmer Cooperatives* — is celebrating its 80th anniversary of helping to increase public understanding and use of the cooperative form of business. We look back at a few of the key dates and trends in its history in this issue. See page 18.





# Keeping their co-op alive

*How the Isla Vista Food Co-op used 'crowd funding' to pave a new way*

**By Aja Lawson**  
National Cooperative Bank



**T**he Isla Vista Food Co-op, in Isla Vista, Calif., has long been a beacon for community autonomy and control, providing cutting-edge innovation to engage the largely transient, student community it serves. Last October, the co-op needed to draw on that tradition of innovation to meet its biggest challenge ever: the seemingly impossible goal of raising \$200,000 in just 40 days to make the downpayment to purchase its building. Failure meant the likely closure of the co-op.

*Project We Own It* was launched to meet the goal, and the Isla Vista Food Co-op soon learned that it would take a village to raise the funds it needed to continue serving its community. Adding to the challenge is the profile of typical co-op member/shoppers: about 90 percent are students





*Facing page: Melissa Cohen (left), Isla Vista Food Co-op general manager, and Abby Wolff, campaign manager for Project We Own It, celebrate the co-op's success in raising \$200,000 to buy the store property, ensuring that it remains in operation as a member-owned co-op. Sharing in the good news are former co-op employee Emmy Beck (below, left) and Adam Henry, the co-op's receiving and special orders manager. Photos by Alex Hoffman, courtesy Hoffoto.com.*



who attend the University of California–Santa Barbara (UCSB); the average member turnover rate is three to five years.

Despite this rapid turnover, the membership is committed to the co-op, not only due to the large supply of fresh, local and organic products it offers, but also because of the active role it plays in the community through education and outreach programs. The co-op also teaches incoming freshman at UCSB how to have a values-based shopping experience.

“The co-op became a mechanism for finding personal food sovereignty and food activism,” says Melissa Cohen, the co-op’s general manager, who started working for the co-op in 2003. Cohen, who became general manager in 2010,

implemented changes to the overall structure of co-op operations. She made the store a more collaborative operation, finding fresh ways to convert UCSB students into co-op members. Success in growing the membership would prove vital for meeting the challenge.

### Keeping the co-op alive

Upon returning from a vacation, Cohen read an e-mail from the co-op’s property manager informing her that the property, which the co-op had occupied for 32 years, was to be sold. The property manager gave the co-op the first option to buy, but gave them only 10 days to make a decision before it would be placed on the market.

It was imperative to keep the co-op in the community, says Cohen, who felt that leaving its fate to a buyer with no invested interest in the co-op was not a viable option for its survival.

“What we decided in a very short period of time was that we didn’t really have a choice [other than to pursue the purchase],” Cohen recalls. In addition to the negative impact on members and other shoppers, the co-op’s closure would have hurt the more than 30 local farmers it buys from, as well as numerous other local (non-farm) producers, who not only sell products to the co-op, but who also buy ingredients there to make products they re-sell back to the co-op. Other losses would include the field trips for school children who tour the co-op and the many community groups it helps support with donations, among others.

In the cooperative tradition of keeping things local, Cohen initially sought funding from local banks but felt the disappointing sting of rejection. “Local banks don’t understand the co-op model,” she says, particularly the lack of a loan guarantor.

When it became inevitable that funding from a national bank would be needed, attention was quickly focused on National Cooperative Bank (NCB) because it frequently works with food co-ops. “Being a cooperative itself, NCB understands the unique banking needs of grocery cooperatives,” Cohen says.

“The bank was very excited to work with Isla Vista Food Co-op and proud to play a part in helping to preserve this important community-based organization,” says Mike Novak, NCB senior vice president.

Cohen says working with NCB helped to relieve some of the mounting stress of purchasing the building. “Working with a bank that has knowledge about co-ops makes all the difference. We are not machines, and NCB made this a very human transaction.”

NCB provided the Isla Vista Food Co-op with the \$1.2 million real estate loan it needed. In addition, NorthCountry Cooperative Development Fund, based in Minneapolis,

Minn., provided a subordinated loan of \$200,000.

It was then time to determine how to raise the \$200,000 required for the downpayment. The traditional method of raising equity (i.e., through member loans) was not an option due to the transient nature of the co-ops' membership.

### **Co-op only as strong as its community**

Since the co-op was built upon the activism of the community, it was of utmost importance to not only involve the entire community in the fundraising process, but to let it decide whether or not the building would be purchased.

"It was critical to create something inspiring around this effort in order to create a culture of support," says Cohen. "The co-op is only as strong as the community that is around it."

Crowd funding, a relatively new type of fundraising made popular by companies such as Kickstarter (an online funding platform for creative projects), was the most favorable option

### **"Being part of *Project We Own It* meant working to save something bigger than myself."**

for drawing community support. While crowd funding has been very successful for a number of causes, organizations and individuals, it had rarely — if ever — been used as a source of real estate funding for a co-op.

Although the Isla Vista Food Co-op was heading into somewhat uncharted territory, Cohen never lost faith that the money would be raised. "This is a very unique type of business. I look at this co-op as a ripple-effect business. So I decided we can take ripples of knowledge and make waves.

"The power of the ripple is insurmountable. We have an opportunity to make the Isla Vista Food Co-op — and the Isla Vista community — go down in history as a community that took a stand for this resource. It's a crazy idea...crazy enough to work."

### ***Project We Own It***

*Project We Own It* was spearheaded by Abby Wolff, the campaign manager. Wolff — a former UCSB student, advocate for environmental efficiency and long-time member of the Isla Vista Food Co-op — jumped at the chance to design a fundraising campaign.

She viewed *Project We Own It* as "an opportunity to bring an entire community together for positive change" and "a rare opportunity in Isla Vista for a real goal that's tangible for our community." Wolff was soon able to mastermind a

grassroots fundraising campaign plan that would pull from the entire community.

She assembled a group of 75 volunteers to execute "guerilla-style" fundraising tactics during conferences, campus sports and other events. To keep herself and the volunteers motivated, Wolff used a doggedly positive approach.

"We always kept it positive by never using phrases like 'Save the Isla Vista Food Co-op,'" Wolff explains. "We wanted this effort to be fun, exciting and, most of all, positive. We kept it completely optimistic all the time."

The fundraising events were as exuberant and multifaceted as the co-op itself, ranging from a farm-to-table dinner (which raised \$3,000 and had as many volunteers as dinner guests) to Co-operoo, a music festival held at the Biko Student Housing Co-op that raised \$3,600. The latter event was so successful that Cohen says she sensed victory was at hand. "I realized at that moment that this was going to be successful because this community loves this co-op and this co-op is perfect for Isla Vista."

Raising the money was not always easy, and there were many unexpected challenges along the way. Surprisingly, finding people to rally for the cause was not one of them. "Being a part of *Project We Own It* meant working to save something bigger than myself," says Monte-Angel Richardson, a *Project We Own It* volunteer.

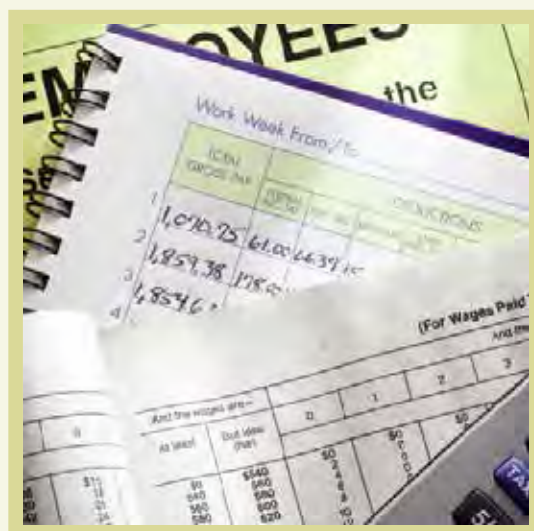
### ***Project We DID It***

The ripple effect Cohen described became a reality, and in just 40 days the funds had been raised, turning *Project We Own It* into *Project We DID It*. The residents of Isla Vista and Santa Barbara had taken ownership of their community once again, proving that united in a co-op, people can overcome even the most difficult obstacle to safeguard what matters most.

The future looks promising for the Isla Vista Food Co-op. The co-op leaders hope that the success of *Project We Own It* will serve as a positive example for other co-ops facing similar challenges. Cohen and Wolff are currently working to create a crowd-funding replication plan that would be readily available as an online resource.

When asked for the most important advice she could offer to co-ops facing seemingly insurmountable challenges, Cohen says, "First you need to find someone who is willing to work with your vision and do it fearlessly. Confidence in the process is the next biggest thing. Nothing is impossible. We are only limited by our own personal limitations. If you truly believe something is going to happen, it will."

For more information on financing for grocery cooperatives, please contact NCB's Michael Novak at (510) 496-2232, or mnovak@ncb.coop. ■

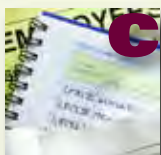


## Survey reveals co-op employee compensation trends

**E. Eldon Eversull, Ag Economist**

USDA Rural Development Cooperative Programs

***Editor's note:** This article summarizes the findings of a new report from the Cooperative Programs office of USDA Rural Development: Cooperative Employee Compensation (Research Report 228), soon to be posted at: [www.rurdev.usda.gov/BCP\\_Coop\\_RRs.htm](http://www.rurdev.usda.gov/BCP_Coop_RRs.htm).*



Cooperatives are sometimes reluctant to divulge much information about employee compensation, as it is personal to employees and can be competitive information for other employers. Still, enough responses were received during USDA's most recent survey of cooperatives to reveal some useful data, highlighted below. This new study updates similar studies performed by Beverly Rotan (now retired from USDA) in 1999 and 1993.

The new data shows that employee compensation averages 4 percent of cooperative sales and is almost half of all expenses for the average cooperative, where total expenses are 8.6 percent of total sales.

As a whole, the agricultural economy did not undergo the general downturn that the overall U.S. economy experienced during the past several years. Employment has remained strong, with farm and ranch cooperatives adding 7,000 employees (a growth rate of 5.7 percent) between 2009 and 2010 and almost 2,000 employees between 2010 and 2011 (growth rate of 1.5 percent).

Even with unemployment rates around 8 percent in the overall economy, ag cooperatives still need to offer competitive salaries to retain their workforce and attract new workers. The compensation they offer must be commensurate with employees' skills and experience if they expect to attract and keep skilled employees.

Employee compensation is the largest expense item for most cooperatives. Higher-than-average employee expenses will have a great impact on profitability and thus are a constant management concern.

Salaries are a direct form of compensation while indirect compensation refers to benefits. Cooperatives and all employers need to offer a compensation package that is a proper mix of both salaries and benefits. Cooperatives are competing with other agricultural firms in their market area and employers in unrelated fields to maintain and grow a competent work force.

Internal and external factors need to be considered by cooperative employers. Internal factors that may influence salary and benefit packages are directly under the control of a cooperative. These include, among other factors: the number of employees; job descriptions/responsibilities; educational/occupational training; and flexible work hours.

External factors that influence salary and benefit packages are largely outside the control of a cooperative. These include: federal and state government policies and regulations; the overall economy/unemployment rate; and competition for employees from other firms.



## Survey results

Information for this report was obtained through the 2011 USDA Rural Development survey of 2,285 farmer, rancher and fishery cooperatives, which reported employing 130,900 full-time employees. The survey asked questions about employee compensation that were similar to those used by Rotan in 1999.

Respondents returned 553 usable surveys, representing about 45 percent of respondents to the annual survey. Nine sales size categories used in the study are shown in Figure 1. The survey information was also analyzed by number of cooperative full-time employees using seven employee ranges.

Cooperatives were also differentiated using five cooperative types. Two of the five types, farm supply and grain/oilseed marketing cooperatives, comprise 76 percent of respondents. With so many farm supply and grain and oilseed respondents, they are further divided into 14 different sizes for closer analysis. In addition, information is presented by state, where possible; some states are combined.

## Survey highlights

Survey questions covered: hiring practices; employee education; compensation; factors determining compensation; bonus or commissions; benefits/perks; retirement plans; performance measures; director compensation and board size;

and compensation changes over the past five years.

The survey found that most often management positions are filled from within the cooperative while lower positions are filled by ads or recommendations. Performance of chief executive officers is measured by the board of directors while net income or profits most often measures the performance of other workers.

Other results from the survey include:

- Average chief executive/general manager pay was \$105,576, with a median pay of \$90,000. The maximum was \$511,000, with \$10,000 the minimum. This compensation includes salary and benefits.
- Job responsibilities are the leading factor for determining compensation for managers, while job performance is the main factor for lower level employees.
- The same perks or benefits were largely offered in 2011 as in 1999, but the cost of many of these benefits are now more often shared between the employee and cooperative. For instance, retirement benefits were a shared expense for around 80 percent of the respondents in 2011, compared to 66 percent in 1999.
- Many cooperatives still offer a defined benefit retirement, but the trend is toward a defined contribution or IRA-based plan where the cooperative and employee share in funding the retirement plan.
- Average board of directors size was eight, with a median

**Table 1**

### Average annual salary for the Chief Executive Officer/President/General Manager for different sizes of cooperatives

	Average Salary <sup>1</sup>	Median Salary	Maximum Salary	Minimum Salary	Respondents
	..... Dollars.....				Number
<b>Sales of:</b>					
More than \$500 million	288,444	210,000	511,000	175,000	9
\$200 million to ≤ \$500 million	234,045	242,000	400,000	100,000	25
\$100 million to ≤ \$200	167,541	160,000	312,918	30,000	33
\$50 million to ≤ \$100 million	137,729	130,000	250,000	75,000	55
\$25 million to ≤ \$50 million	100,266	100,000	210,000	40,000	93
\$15 million to ≤ \$25 million	89,603	85,000	154,200	40,000	70
\$10 million to ≤ \$15 million	79,179	75,000	147,000	38,000	42
\$5 million to ≤ \$10 million	70,944	66,600	186,780	39,150	63
Less than \$5 million	59,021	52,000	205,000	10,000	83

<sup>1</sup>The overall high and low average salaries were deleted, so this lowered the number of responses in this table from 553 to 551.

board size of seven.

- Board compensation averaged \$15,962 for the entire board, or about \$2,000 per director. Median compensation was \$4,574, or \$650 per director. About 85 percent of co-ops pay board members.
- Dividing annual median director compensation by 12 meetings per year means directors receive about \$55 per meeting, if compensated on a per-meeting basis.
- Respondents indicated at least six forms of director compensation, with paid travel and per diem expenses provided at least 50 percent of the time. About one-third of

adjustments (COLAs). Others said salaries had been adjusted to the market, with some pay cuts enacted.

About half of the responses said defined benefit retirement plans were only being maintained for existing employees, with newer, full-time employees being switched to a defined contribution 401K plan.

### Reference

Rotan, Beverly L., *Cooperative Employee Compensation*, 1999, U.S. Department of Agriculture, Rural Business-Cooperative Service, RBS Research Report 189, October 2001. ■

**Table 2—Board of directors' size and compensation by size and type of cooperative**

	Average Board Size	Average Board Compensation	Median Board Compensation	Respondents
	Number	.....Dollars.....		Number
<b>Sales of:</b>				
More than \$500 million	16	202,805	86,588	14
\$200 million to ≤ \$500 million	11	54,021	32,500	32
\$100 million to ≤ \$200	9	22,562	22,900	35
\$50 million to ≤ \$100 million	9	14,066	10,482	63
\$25 million to ≤ \$50 million	7	7,319	5,929	89
\$15 million to ≤ \$25 million	7	5,577	4,125	74
\$10 million to ≤ \$15 million	8	6,164	3,360	42
\$5 million to ≤ \$10 million	6	3,271	2,700	57
Less than \$5 million	7	2,745	990	58

the cooperatives paid directors on the basis of meetings attended.

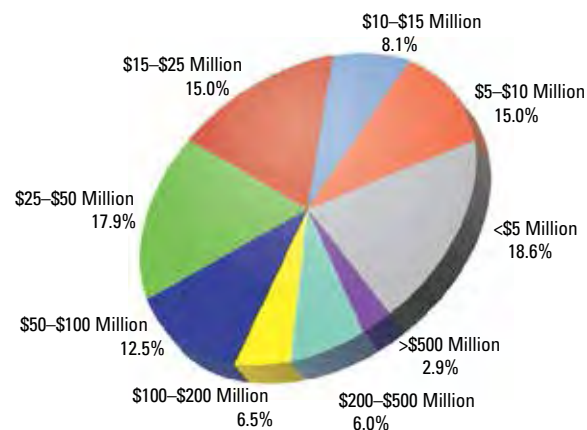
- Meals were provided about 30 percent of the time, while liability insurance was provided by 22 percent of the cooperatives.

### Salary and benefit changes

The survey asked if there had been salary and benefit changes over the past five years. Seventy co-ops responded to the question. About half of the respondents said health insurance costs have been passed on to employees. Others have added a cap on what the cooperative will pay for health insurance. Some co-ops have created a Health Savings Account for employees (in which a pre-tax portion of their pay can be deposited).

About a third of the comments said the only major pay changes reflect cost of living

**Figure 1 — Distribution of Respondents by Total Business Volume**



# Specialty Potato Alliance

By Anne Todd, Contributing Editor  
anne.todd@wdc.usda.gov



**T**he Specialty Potato Alliance (SPA) is a group of fingerling potato growers and distributors, located throughout the United States, who are committed to growing and packing the finest potatoes possible. SPA's specialty products, proprietary varieties and ability to offer fingerling potatoes year-round have made SPA a trendsetter in the potato industry.

Since its start five years ago, SPA has grown steadily and today it has offices on both coasts and growers in California, Colorado, Florida, Michigan, Oregon, Pennsylvania and Washington. Collectively, the SPA founders have more than 90 years in the potato business.

Fingerlings, a heirloom crop, are about one to two inches in diameter and about one-and-a-quarter to four inches long. The name comes from their elongated and slightly knobby shape, somewhat resembling fingers. They can be roasted, broiled, boiled, baked or grilled, just like any other potato. Although fingerlings are sometimes confused with new potatoes, fingerlings have a more complex flavor.

The idea to create SPA was hatched at the Produce Marketing Association's (PMA) 2005 trade show in Houston, Texas, and the alliance became official the following spring. The goal of the alliance is to build a foundation based on sharing the best potato products

possible with customers seeking the highest quality product. SPA's primary customers are domestic U.S. retailers, wholesalers and terminal markets.

Since its start, the Specialty Potato Alliance has introduced three new fingerling varieties to the market: the

*Marketing alliance wins new buyers  
'one tastebud at a time'*



Red Rebel, the Rockey Rose and a purple variety called Merlot. Sales of these new varieties are steady, and people who try the Rockey Rose say it tastes better than the standard "Russian Banana" fingerling variety, according to SPA.



*Fingerling potatoes come in a number of distinct varieties, including several that are exclusive to the Specialty Potato Alliance (SPA). Photos courtesy SPA*

“We are all about flavor and we win new buyers one tastebud at a time,” says SPA Managing Director Richard Leibowitz. *Rural Cooperatives* spoke to Leibowitz to learn more about the alliance.

***Q:—What sparked the creation of Specialty Potato Alliance as a marketing organization?***

“I started this because I’m a specialty produce broker and I’ve seen other specialty items that I have worked hard to develop become commodities and pass me by. I was going into superstores and seeing fingerlings that were of very, very mediocre quality. I didn’t want people to think of fingerlings, which I was marketing as a premium potato, as some secondary offshoot of a russet.

“I contacted a nationally known wholesaler who does a lot of volume and two of the growers I was working with. I said, ‘Look, fingerlings are going to become a big thing. We’ve invested years in developing these potatoes. So we don’t want a larger company with millions in marketing dollars to come in with its label, put it everywhere and take the market. Then, suddenly, we’re out of the game. We’ve seen this happen before.’”

***Q:—So, what was your next move?***

“We decided to create a new



marketing entity, the Specialty Potato Alliance. We had different locations. The initial challenge was: How were we going to let our industry know about SPA?

“SPA does not sell potatoes; it is a marketing organization. The four companies [that are part of SPA] put in an assessment charge with every pound of fingerlings. That money pays for advertising and [to be represented at] Produce Marketing Association (PMA) shows. To date, it has worked well. Through SPA, my company, Culinary Specialty Produce, now can be represented as part of a larger concern and is part of a larger group that makes us a bit more than a broker. This makes us stronger. People now look at us as not just as a specialty produce broker; we’re now grower-related.

“One of our growers is a certified seed grower out of Center, Colo. After years of trials, the company has released

three new fingerling varieties that are exclusive to the alliance. This also gives us an edge for our growers and our distributors, as well as a reason to do the shows, marketing, advertising and press releases. We have something to offer that is different. Now, SPA can offer something that not only is exclusive and tastes great; we can grow it year-round for you.

“Our initial goal was to be able to continue to sell, market and promote

our potatoes when the big boys stepped in. Large produce corporations have, in fact, gotten involved in fingerlings, but we are still in the game. Five years ago, we were the leader, but the problem with promoting new specialty produce items is that you’re also informing the industry that they are out there. So it’s important to have a long-term plan so that when they become a commodity you still have a market for your product as a result of your years of exposure.

“This was the idea: To improve the quality of the product to be able to stay in the game.”

***Q:—How many members are in the SPA?***

“There are four companies involved: Culinary Specialty Produce in Mountainside, N.J.; Coosemans L.A. Shipping, in Vernon, Calif.; Rockey Farms of Center, Colo., and Lehr

Brothers in Bakersfield, Calif.

"We still do business with other specialty potato growers, but these are the four companies that are the board of directors, that decide on SPA's direction, that put in the assessment and are represented at our shows and in our marketing efforts. This in turn gives them additional exposure with their existing business along with the benefits SPA has to offer.

"I'm a buying broker. Coosemans is a large wholesaler and Rockey Farms and Lehr Brothers are growers and shippers."

*Q:—At your board meeting in April 2012, you celebrated five years of growth for SPA. Tell us about some of your achievements during this five-year period.*

"We just got our five-year PMA [Produce Marketers Association] award. We got started following a meeting that I put together five years ago at the PMA in Houston.

"One of the primary things we've been able to do is put out something under the SPA label; so it doesn't say Coosemans, or Culinary, or Rockey Farms, or Lehr. That SPA label has become generic within our group. So, when we get together and do a show, our boxes and bags all say SPA, demonstrating the alliance.

"We have a new SPA plastic bag that refracts light so potatoes don't turn green. We put out an organic line. We developed a family of products. When we go and do a show, we're coming from a lot of strength.

"Working with growers outside the alliance, we are able to offer products on a year-round basis and, in many cases, we can reduce transportation costs. We are also able to produce potatoes throughout the country, so we also work with other growers that aren't



## Developing new fingerling varieties

Every year, SPA's certified seed grower in Colorado grows hundreds of plants for cross-breeding and hundreds of sample varieties that are tested for size, shape, color, flavor and yield. If they pass those tests, the product is sent to a lab to create identical DNA. It then takes five years, or generations, to develop the volume of seed to supply the fresh market.

"In more than 20 years of testing, only three varieties have made it to the fresh market," says Richard Leibowitz, SPA's managing director.

SPA growers Brendan and Sheldon Rockey recently received a national award for soil conservation, producing a crop using virtually no chemicals and with only half the normal amount of water. "In Center, Colo., water use is a very big issue," Leibowitz notes.

"What's very cool about this is that they went backwards, to pre-World War II growing procedures," he adds. "After WWII, excessive amounts of ammonium nitrate quickly dominated the fertilizer market when it was proven this chemical could grow vegetables very fast. It also killed the soil, but that was ignored and the soil ecology was destroyed.

"The Rockey brothers used pre-WWII-era and modern holistic techniques to take care of the soil, and the soil took care of the plants. It's a wonderful thing," Leibowitz says. ■

members and use their crops.

"We are all about flavor. We approach this somewhat from a culinary side. We want people to taste these potatoes and we believe people will love them. That is why we cook them at our shows. Taste is important and is the first step in developing a new customer. With our marketing effort, we are looking to find those venues where the flavor matters.

"We can also create value with the potatoes depending on size. The tiny ones, the potatoes that are, say, 75 potatoes per pound, are going to be very pricey, and they're for the high-end, white tablecloth restaurants. But we can also sell you a medium that involves no peeling and looks great on a plate, or a jumbo one that can be peeled and used in a frittata or made into a soup that is very reasonably priced.

"Our goal is — whether it is a supermarket, a restaurant chain, or a wholesaler — to define the kind of product that will work for [the customer]."

***Q:—Can you share some of the major strategic decisions the Alliance has made that has led to this growth?***

"We carefully dissect every market and try and determine how our family of products will fit in. We work together to try and achieve that goal. Our tagline is: 'Grown by farmers who care.' After you hear that story about the soil [see sidebar], it's pretty obvious they do."

***Q:—What options are SPA considering to increase marketing of your fingerlings potato products?***

"Additional food shows, additional samplings and cuttings. Additionally, people really like recipes. At our food shows, we cook potatoes. Getting the



product out there and developing a market for it is constant work. Between the four companies, we probably do four or five shows a year. It definitely gives us new customers to reach out to."

***Q:—What is the biggest challenge the Specialty Potato Alliance faced, and how did you overcome it?***

"Two things come to mind. The first was how to have an alliance with four companies in four different areas with four different concerns and make it worth it to everybody. And the answer to that is just listening carefully to everyone's personal concerns so you create an awareness and discussion. Also to try and look at each business and what SPA can offer it, and finding ways to make that fit. We've done that, although things vary from company to company.

"Second, as far as marketing goes, is getting people to taste and switch to our new proprietary products and maintaining a quality program year-round — which we have achieved by doing better post-harvest procedures, using better equipment and storage, and better growing techniques."

***Q:—SPA member-growers have introduced three new fingerling varieties to the market. How are these new varieties catching on?***

"We're selling what we grow, and I would say that at a reasonable pace people are requesting them. The Red Rebel is a replacement for another heirloom variety called the French

fingerling. The French fingerling didn't fit in well to the package because it was fat. It's also a high-moisture potato and mottled with red inside, making it tasty as well as stunningly beautiful. But it's one of the tastier varieties.

"The Red Rebel is slimmer. It's not quite as rich in flavor but it's a much nicer-looking potato. It is often requested in a mix.

"The Rockey Rose, which is pink on the outside and glowing yellow inside, I think is the best tasting potato out there — even outside of fingerlings. I can put that in front of somebody and that person will taste it and think it's wonderful. We would love to see the Rockey Rose replace the most-popular, standard fingerling (the Russian Banana) based on flavor. But we've made limited inroads so far."

***Q:—The SPA is converting a building in Mosca, Colo., into a packing facility for fingerlings and other specialty potatoes. Will this reduce members' processing expenses and help them increase profits?***

"This is a project of one of our grower-members, Rockey Farms, which is in the process of merging with another producer and becoming a new, combined entity. They have invested in polishers and sizers, and they've just started doing it. It's working very well. They can now process a truckload of potatoes in a day and a half. Previously, it used to take three days. The other thing is that the sizing is a lot more accurate and it culls out the bad potatoes better so you get a prettier product, all in about one-third of the time."

To learn more about the Specialty Potato Alliance and its products, visit: [www.potatoalliance.com](http://www.potatoalliance.com), or e-mail [info@potatoalliance.com](mailto:info@potatoalliance.com). ■



# Focus On: Farmers' Rice Cooperative

## International markets key for California rice co-op

**By Sarah Ali, Ag Economist**  
Cooperative Programs  
USDA Rural Development

 Cooperatives worldwide just completed observing 2012 International Year of Cooperatives, as designated by the United Nations. But for cooperatives such as Farmers' Rice Cooperative, which does about half of its business overseas, every year is an "international year."

The global economy increasingly has no borders, and the exchange of goods and services has opened markets for U.S. agricultural cooperatives, enabling them to reach more consumers. The use of electronic and social media has also facilitated exchange across borders, significantly lowering transactions costs of trade.

Marketers at Farmers' Rice Cooperative and other U.S. ag exporters are aware that the world population size is expected to increase, with much of the growth occurring in developing countries, where demand for food will increase. Furthermore, rising disposable income among consumers in countries such as China, Brazil, Russia and India result in people demanding more American products. A rising middle class in these countries constitutes a significant buying power.

### Entire globe is co-op's marketplace

Farmers' Rice, headquartered in Sacramento, Calif., began business in 1944. It currently has about 800 rice grower-members, 95 percent of whom farm north of Sacramento. They farm



*Farmers' Rice Cooperative's (FRC) main facility is in West Sacramento, Calif. The Middle East is a prime export market for the co-op, where it recently promoted its products in an advertisement (facing page) that ran in Jordanian magazines during the month of Ramadan. Photos courtesy FRC*

about 115,000 acres of rice and export to about 60 countries. Primary markets are East Asia, Europe and the Middle East. The co-op's total sales and services were \$273 million in 2012.

Farmers' Rice handles 25 percent of all the rice produced in California and is the nation's largest marketer of medium-grain rice. Major medium-grain rice markets include the Middle East, Japan, South Korea and Taiwan.

Farmers' Rice exports to the Middle East have increased significantly during the past 10 years, especially to Jordan, Palestine, Syria, Lebanon, Saudi Arabia and the United Arab Emirates. Annual sales to these markets now top 100,000 metric tons. Rice is a staple food in many export markets, while it is considered a "luxury" food in others.

Figure 1 shows the top 10 major export markets for U.S. medium-grain rice. Japan was the No. 1 market from January to November 2012. It was

followed by Jordan, Taiwan and South Korea.

Crop conditions and regulatory changes in other producing nations can also have a marked impact on U.S. farm exports.

"We have a few core markets that tend to be fairly steady, but policy changes or production issues in other countries can have a major impact on where we export and how much we export in a given year," notes Debbie Rubas, rice analyst with USDA's Foreign Agricultural Service. "For example, when one country imposed restrictions on rice exports and Australia's crop was reduced by drought, it provided opportunities for U.S. producers to export to new markets."

Farmers' Rice exports to the Middle East have risen in the past several years, due in part to the falling exports from Egypt and Australia, although both

countries are now “back in the market” to some degree. Syria has traditionally been a good export market for the co-op, but the conflict and political instability there has caused a drop in its purchases of U.S. rice.

### Product differentiation important

Product differentiation is important for cooperatives seeking a distinctive presence in international markets.

People’s rice tastes and preference differ greatly around the world. For example, Jordan is one of the largest importers of Farmers’ Rice products, where rice is served with couscous and other dishes. Many other dishes popular with Arab people also make heavy use of medium-grain rice, says Kirk Messick, senior vice president at Farmers’ Rice Cooperative.

Understanding the tastes and cooking preferences in its foreign markets is vital to the success of Farmers’ Rice.

The cooperative advertises in many Middle Eastern countries, including use of billboards during the Islamic religious month of Ramadan. At the conclusion of Ramadan, people break their fasts at sunset, often cooking dishes with rice.

In addition to localized advertising campaigns, Farmers’ Rice benefits from “word of mouth” promotion. Establishing a reputation and brand equity has been a key part of the co-op’s marketing campaign.

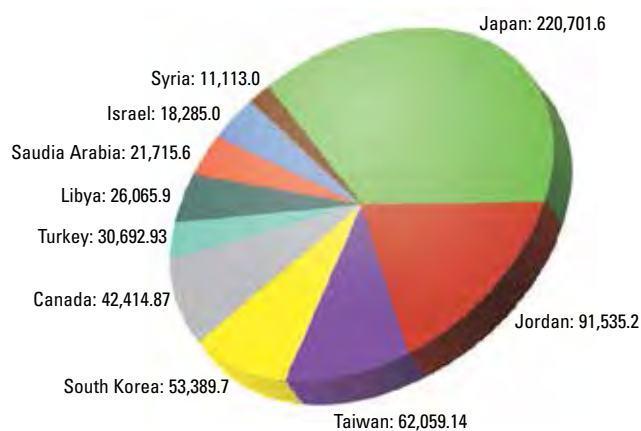
All Farmers’ Rice products are packaged in the United States and shipped overseas in a manner that ensures the highest quality of the rice is maintained. This emphasis on quality bolsters the co-op’s brand equity and helps it build market share.

California is often among the first states to adopt new environmental initiatives and regulations. Although regulation costs are high there, the final product is “cleaner,” according to Messick.

*continued on page 43*



**Figure 1 — Top 10 Export Markets for Medium-Sized Milled Rice, in Metric Tons, From Jan.–Nov. 2012**



# Telling the co-op story

## *USDA journal marks 80 years of promoting co-ops as a powerful, self-help economic tool*

**By Dan Campbell, Editor**  
dan.campbell@wdc.usda.gov

**Editor's note:** Portions of this article are adapted from past issues of *Rural Cooperatives* and its predecessor publications (*News for Farmer Cooperatives* and *Farmer Cooperatives*).

**"B**lack blizzards" they called them — the devastating dust storms that could black out the sun, bringing midnight-like conditions at noon. These drought-fueled dust storms smothered farms and grazing lands over vast areas of the nation's heartland in the 1930s, turning

once productive farmland into wasteland. Hundreds of thousands of farmers and other rural people were driven from their land during the worst of the Dust Bowl years in the mid-1930s, and everywhere the Great Depression was in full swing, ravaging the economy and causing the worst unemployment in the nation's history.



1936



Farmers and ranchers nationwide also faced great challenges selling their products into a marketplace in which buyers held most of the cards, forcing producers to compete against each other in a “race to the bottom.” Many farmers were trapped in a cycle in which bare survival was the best outcome they could hope for. The situation, compounded by a widespread lack of rural electrical service, meant that living conditions in much of rural America lagged far behind those of urban areas.

It was against this grim backdrop that the Farm Credit Administration (then an agency of USDA) and its Cooperative Marketing Division in the early 1930s decided to launch a new periodical to promote better understanding and greater use of cooperatives. Originally called *News for Farmer Cooperatives*, the 8-page, handbook-sized publication was produced each month on a mimeograph machine. Farm Credit Administration (FCA) leaders and many others at USDA were convinced that the formation of more cooperatives by farmers and ranchers offered a good way to improve their odds of success, and they believed that a national co-op journal could help achieve this goal.

There were no photos or artwork in the first editions, only pages of type-written articles with ideas intended to help improve the viability of farmer co-ops and spark interest in the creation of new co-ops. Within two years, the journal had been expanded to a standard magazine size and format, with the addition of black and white photos and line art.

Today, 80 years after its founding, the magazine’s name has changed a couple of times, but this periodical is

not only still helping to shine a spotlight on cooperatives and what they can help achieve for their members, but it is also spreading the word about cooperatives around the globe, thanks to the Internet. Its mission, as ever, remains to serve as an information marketplace about the benefits and challenges of operating a cooperative.

### Co-op Marketing Act mandates USDA role

In 1926, Congress passed the Cooperative Marketing Act. The Act charges USDA with promoting understanding and use of cooperatives through research, education, statistics and technical services, including co-op development. Section 3, paragraph 6 of the Act says USDA should: “promote the knowledge of cooperative principles and practices and to cooperate in promoting such knowledge with educational and marketing agencies, cooperative associations and others.”

Congress was overwhelmingly favorable to the Act, according to a 1956 article in *News for Farmer Cooperatives* that reported on a ceremony held at USDA to mark the 30th anniversary of the Act’s passage. Charles Holman, retired secretary of the National Milk Producers Federation, recalled attending the drafting conference for the bill in 1926. “Out of my 35 years of experience on the Hill, I would say it was one of the easiest bills to get through Congress. Leaders recognized the real need for setting up an educational service organization [for co-ops],” added Holman, who also played key roles in the passage of the Federal Farm Loan Act of 1916, which established the Federal

Land Banks, and the formation of the National Council of Farmer Cooperatives in 1929.

### Responding to crisis with education

The Farm Credit Administration had only been founded in 1933. “It’s amazing that the FCA could find time to launch a new educational journal” at a time of acute crisis, Giff Hoag, a long-time editor of this journal, recalled in a book he wrote about the history of the Farm Credit Administration/Farm Credit System.

Hoag tipped his hat to those leaders who had the foresight to step up co-op education during a crisis. Many cooperatives over the years have done the opposite — cut back on communications in difficult financial times to save a few dollars. That is a pitfall that has contributed to the demise of many a co-op over the years. Indeed, a common theme of articles in this magazine over the decades has been



1951

1966

that when the going gets toughest, cooperative communications and education efforts are most essential.

U.S. agriculture has, of course, undergone monumental changes during the past 80 years, and the nation's farmer cooperatives have changed simultaneously to meet the evolving needs of farmers and ranchers. These changes are well documented in the pages of this publication.

Consider that in 1934, the average dairy cow was producing about 12.5 pounds of milk per day. Today, average milk production has increased five-fold, to about 60 pounds per day. In the early 1930s, farmers produced an average of about 25 bushels of corn per acre. Today, the average is more than 163 bushels per acre. For wheat, the average harvest during that time span has increased from about 15 bushels per

acre to about 45 bushels per acre.

Continual advances in mechanization, improved genetics for seeds and livestock, better fertilizers and improved cultivation and breeding strategies and pest management practices all played vital roles in these advances. So did farmer cooperatives by advocating for, and helping to make available, new technologies and improved supplies to farmers. Co-ops were also leaders in establishing accurate weighing and quality testing of farm products to ensure farmers received fair pay and, in doing so, forced other buyers to raise their standards.

### **USDA's co-op role predates magazine**

USDA supported co-ops even earlier than the founding of this publication,

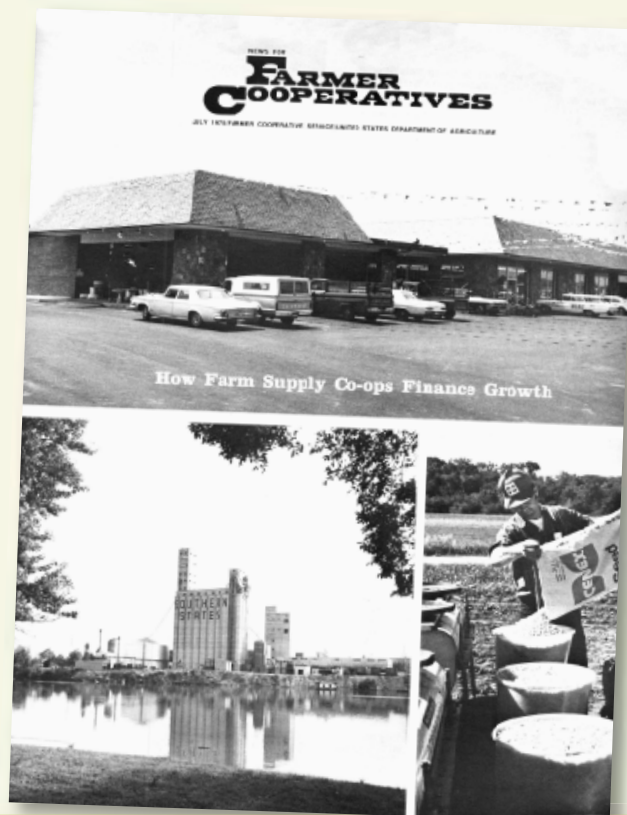
having first assembled data about farmer co-ops in 1901. By 1922, the Division of Agricultural Cooperation, part of the Bureau of Agriculture Economics, had been created. It was renamed the Division of Cooperative Marketing in 1926, which was transferred to the Farm Credit Administration in 1933.

In 1953, when FCA separated from USDA, the co-op program remained as an independent agency — the Farmer Cooperative Service — within USDA. In 1980, it was renamed the Agricultural Cooperative Service and in 1994 it became part of the new Rural Development mission area of USDA, where it remains today as Cooperative Programs.

The co-op journal's name was changed to *Rural Cooperatives* in 1995 to better reflect the broader scope of



1970



1972

cooperatives being written about. Also in the mid-1990s, the magazine was changed from a monthly publication that averaged about 24-28 pages per issue, to a bi-monthly magazine averaging 36-40 pages.

*Rural Cooperatives* and its predecessor publications serve primarily as a medium for the exchange of ideas about cooperatives.

Some of these ideas are conveyed in articles written by USDA staff while many other articles and most of the photos are contributed by the cooperatives featured in the pages of the magazine. Other articles are contributed by university faculty, Cooperative Extension agents, co-op associations, co-op and rural development consultants, co-op financial institutions and many others with an interest in helping the

cooperative sector thrive and who view this magazine as a valuable tool in achieving that goal. *Rural Cooperatives* is thus a cooperative venture, in every sense of the word, between USDA and the cooperative community it serves.

Even a quick sampling of 80 years of the publication — the bound volumes of which cover about the same amount of shelf space as a major encyclopedia — reveals many continuing areas of editorial focus, including articles that:

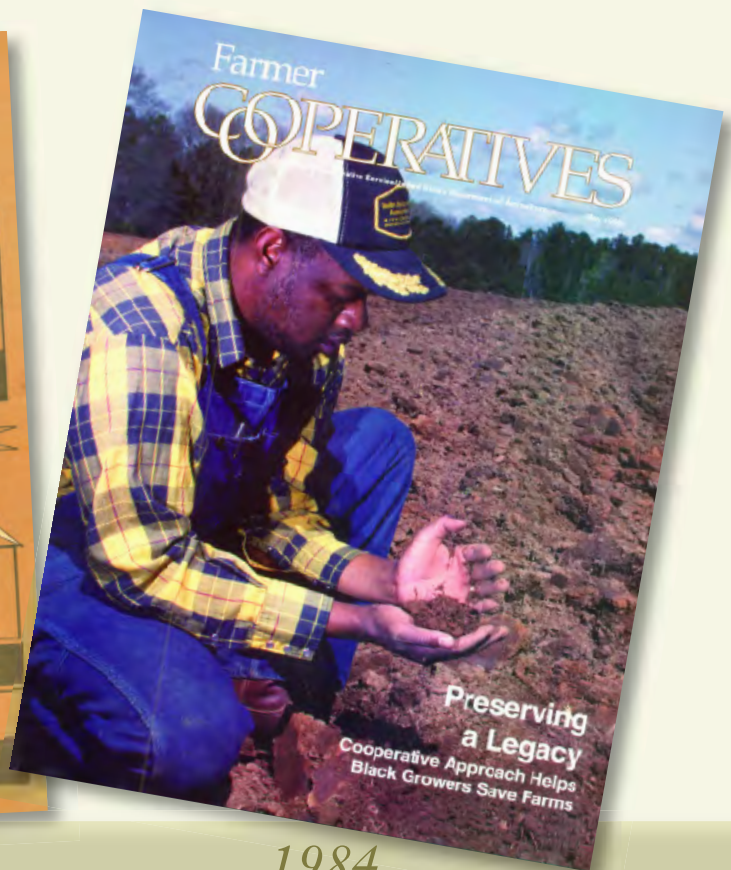
- Show how innovative farmer co-ops have been in meeting their members' needs with new technologies, services and products;
- Focus on the many roles co-ops play in building a stronger rural economy;
- Stress the importance of co-ops in adhering to the principles of democratic governance to fulfill their "member-owned, member controlled"

mandate;

- Highlight sound co-op practices for governance, finance and communications, with an emphasis on quality products and services as being essential to delivering member benefits.
- Remind co-op directors that their top responsibility is to hire skilled management and to then let managers run the business while the board sets policy, closely monitors performance and holds management accountable for results;
- Show how farmers can reap benefits when co-ops perform value-added processing of their crops and livestock, even marketing under their own brand names;
- Show co-ops as trailblazers in developing new markets and products.



1982



1984



In the early 1960s, this magazine ran a photo of President John F. Kennedy meeting with co-op leaders in the White House rose garden. He saluted co-ops for the profound impact they had on improving the economy of rural America. Kennedy also expressed his appreciation for co-op efforts to help farmers in developing nations gain new skills to improve their productivity. A number of articles every year show that this commitment to service around the globe continues today.

### Benefits flow to rural Main Streets

Many articles and commentaries over the years have stressed the importance of the Capper-Volstead Act — the legislative linchpin that gives farmers limited exemptions from antitrust law, thus allowing them to market their products cooperatively. But there have been continuing challenges to the Act over the years, as reported in this journal.

In a 1978 magazine, for example, we see Agriculture Secretary Bob Bergland — speaking before the National Commission for the Review of Antitrust Laws and Procedures — making a strong defense of farmer cooperatives and the importance of Capper-Volstead to their future. “My own view, well supported by history, experience and research, is that the Capper-Volstead Act and our marketing order system are in no need of modification,” Bergland said. “Individual farmers acting alone lack bargaining power in dealing with those who purchase their product. Historically and increasingly, farmers must sell to relatively few buyers that do their processing and distribution of raw ag commodities.”

Just two years later, in the August 1980 issue, Lee Kolmer, then dean of Iowa State University’s College of Agriculture, said: “The Capper-Volstead Act is under siege.” Speaking at the Graduate Institute of

Cooperative Leadership, he added: “The intensity of the battle varies as the attackers marshal new allies, or lose old allies, and as the defenders are partially or temporarily successful in fending off the legal thrusts of the opponents” who see farmer co-ops “becoming indistinguishable from their corporate competitors.”

Many times in these pages during the past 80 years, the differences between a producer-owned co-op and an

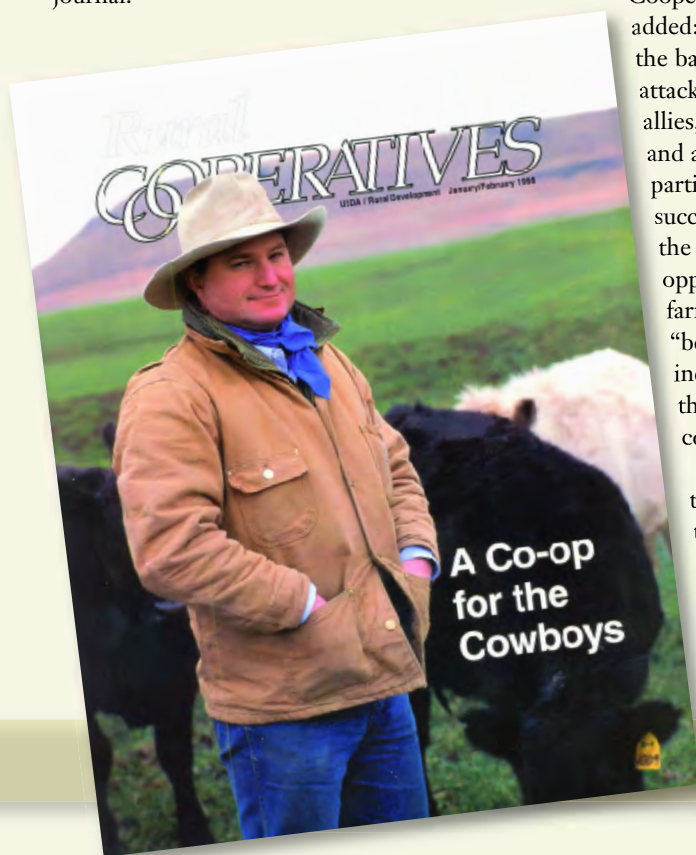
investor-owned corporation have been stressed. Whereas an investor-owned corporation distributes profits to distant shareholders with little or no stake in the rural areas that produce farm products, co-ops are owned by farmers and ranchers, with proceeds flowing back to them and hence into their rural communities. They are conduits that funnel capital back to rural Main Streets, rather than Wall Street.

Today, at a time when the number of farmers has declined to only about 2.1 million, 175,000 of whom produce about 75 percent of the nation’s food and fiber, co-ops play a large role in helping to keep more medium- and small-sized producers in business.

### The sky that didn’t fall

The farm crisis of the 1980s — brought on largely by a bubble in farmland prices — crushed many over-leveraged farmers who had borrowed to expand in pursuit of high commodity prices. They saw their dreams go up in smoke when interest rates spiked and the bubble deflated. The result was not only a surge in farm foreclosures, but also a crisis for the Farm Credit System. The Ag Credit Act of 1987 resulted in eight Banks for Cooperatives merging into the National Bank for Cooperatives (or CoBank). Ultimately, FCS passed through the storm and emerged a stronger entity, one of the world’s great cooperative financial institutions.

The new century started with a major jolt to the ag co-op sector when three of the nation’s largest farmer cooperatives all filed for bankruptcy in the space of about three years. After the failures of Farmland Industries (then the nation’s largest co-op), Agway (a farm supply co-op in the Northeast)



1998

and Tri Valley Growers (a California fruit and tomato canning cooperative), many critics of co-ops predicted that these bankruptcies were evidence that the end was nigh for farmer-owned cooperatives.

But the sky did not fall on co-ops, and co-op sales were again hitting records within a few years. Still, the failure of Farmland taught co-op leaders important lessons about the dangers of becoming over-leveraged and “betting” on commodity prices that can take sudden, unexpected turns. Combined with the lessons learned during the 1980s farm crisis, co-op advocates say this may in part explain why the co-op sector came through the Great Recession in much better shape than many other segments of the nation’s economy.

In the 1990s, a number of articles in this journal reported on the formation of new-generation cooperatives, launched to build a variety of processing facilities for farmers who bought shares to provide up-front capital to finance the ventures. These shares came with a right and obligation to supply the co-op.

### **Bioenergy, local foods spur new co-ops**

Through the 1990s and into the 2000s, this magazine carried many reports about the creation of co-ops and producer-owned LLCs formed to build biofuel plants and other renewable energy projects, such as wind energy. Utility co-ops, now a regular part of magazine coverage, also began building broadband systems for their members, a technology which is helping rural America better compete with cities for new jobs and commerce.

Many other articles reported on the surging number of new, mostly small cooperatives formed to help producers tap the emerging markets for organic, natural and local foods, of which Organic Valley is the largest. While the overall market for organic food is still small in terms of the nation’s total food production, it is a robust and growing market.

Another new twist on the co-op model seen in the 2000s has been the development of multi-

stakeholder co-ops and food hubs, which may include producers, consumers, institutions (such as schools and hospitals), food retailers, restaurants and others as members. The numbers of farmers markets and community supported agriculture (CSA) associations (essentially subscriber services for fresh produce from local farms), many of which are organized as co-ops or operate on co-op principles, have also surged.

Compared to the early decades of this journal, there are probably fewer “how to” articles today; instead there’s a greater emphasis on profiles of successful and innovative co-ops. Each of these articles carry lessons, based on real life experiences that can inspire other co-ops.

A major editorial thrust of the magazine during the past decade has been to show just how incredibly flexible the co-op business model is in meeting a wide array of needs. Whether it’s a group of farmers striving to reach up the value chain by processing their crop into a value-added food, a utility co-op pursuing wind energy or broadband projects, or a group of home-care workers forming a co-op to earn a living wage for their labor helping elderly and handicapped people remain in their homes, a co-op can provide the business structure to make it happen.

That this publication continues to be published after 80 years is a testament to the power of what is, in essence, a simple concept: that people can accomplish virtually anything when they unite in a democratically governed cooperative to meet a common need. The power of one individual multiplied by the many can still move mountains. ■



2013

# Organic Valley turns 25



**O**rganic Valley, the nation's largest cooperative of organic farmers and a leading organic brand, is celebrating its 25th anniversary in March. The La Farge, Wis.-based co-op began in 1988 with a group of Wisconsin farmers who shared a love of the land and a belief that a new, sustainable approach to agriculture was needed to help family farms and rural communities survive. Frustrated by the loss of nearly 2,000 family farms each week, these farmers set out to create a solution: organic agriculture.

“The success of Organic Valley proves that organic agriculture can be a lifeline for America’s struggling family farms,” says George Siemon, the co-op’s CEO. “In an era of rising and falling agricultural prices, Organic Valley farmer-owners can count on a stable, living wage to stay in business on their land. We are humbled and extremely thankful that the original spirit of our founding farmers, and the co-op model, has sustained our organization for 25 years.”

*Editor’s note: This article provided courtesy Organic Valley.*



In January 1988, when a “get big or get out” strategy seemed to be the only way for farmers to survive, a handful of farmers gathered in Southwestern Wisconsin’s “coulee region,” where glacial valleys have produced unique topography ideal for small-scale agriculture. A small poster inviting area farmers to join Siemon at the county courthouse for an informational meeting was all it took to gain momentum. These producers became the founding farmers of CROPP Cooperative (Cooperative Regions of Organic Producer Pools), which was officially founded on March 13, 1988, with the mission of keeping family farmers on the land.

The farmers decided that following a cooperative model — where each farmer was an owner of the organization — would best ensure each had a voice in how his or her products were produced, marketed and sold. Today, Organic Valley remains an independent farmer-owned cooperative helping to nurture local communities and maintain the voice of farmers on a mission.

“Organic Valley is the kind of company that shows the complete beauty of organic leadership,” says Maria Rodale, chairman and CEO of Rodale Inc., and co-chairman of Rodale Institute. “They have saved and supported small family farmers around the country while providing households with food that is delicious and good — both for people and the planet. I congratulate them on their success, their independence, their innovation!”

Today, CROPP Cooperative, under its brand name Organic Valley, is the largest organic farming cooperative in North America, with more than 1,814 farmer-owners in 35 states and three Canadian provinces, representing about 9 percent of the nation’s certified organic farming community. In addition to providing farmers a way to stay in



business, organic agriculture fulfilled the vision for a sustainable agriculture: farming without antibiotics, synthetic hormones, pesticides or genetically modified feed; raising animals on pasture, and ensuring the land will be

preserved for future generations.

“CROPP [Organic Valley], by its example, has demonstrated how two viewpoints on the goal of organic farming can be successfully merged. CROPP has both saved family farms and provided healthier food,” says Charles Benbrook, research professor at the Center for Sustaining Agriculture and Natural Resources, Washington State University. “Without setting out to do so, CROPP has invented a way to capture and share wisdom that is greater than the sum of its parts.”

Organic Valley produces a variety of organic foods, including organic milk, soy, cheese, butter, spreads, creams, eggs, produce and juice, which are sold in supermarkets, natural foods stores and food cooperatives nationwide. With its regional model, milk is produced, bottled and distributed in the region where it is farmed to ensure fewer miles from farm to table and to support local economies. ■



*The entry to Organic Valley’s headquarters in La Farge, Wis., may have a familiar feel to people with a rural background! Facing page: the co-op’s proudest achievement after 25 years is helping to keep many family farmers in business who might otherwise have had to sell their farms. Photos courtesy Organic Valley*

*Ursa Farmers Cooperative's (URC) new grain facility in Missouri is reducing delays and costs for members who were once slowed by reliance on a ferry to ship their crops across the Mississippi River to Illinois. Photo courtesy URC*



# The Need for Speed

*Ursa Farmers Co-op works with FCC Services to prevent member profits from heading down river*

**Editor's note:** This article is provided courtesy FCC Services and the Ursa Farmers Cooperative.

**S**ince 1920, Ursa Farmers Cooperative, headquartered in Ursa, Ill., has efficiently served its base — currently about 2,500 members. But changes in production agriculture necessitated a quicker turnaround time for farmers to get their harvests to market.

All of the co-op's grain-handling facilities are in Illinois, so farmer-members of the cooperative in Missouri were required to truck their crops — corn, soybeans and wheat — to the Mississippi River, then onto the Canton Ferry to cross the river to the cooperative's Meyer, Ill., facility. With technological advances producing bigger harvests and more Missouri

farmers joining the cooperative, the wait time was increasing to board the ferry, which also carries workers, tourists, students and other commodity haulers.

As a result of these delays, many Missouri members no longer wanted to use the ferry, says Roger Hugenberg, assistant general manager for Ursa Farmers Cooperative. "Operating the ferry is expensive, and those dollars could be invested in something the cooperative owned," he adds. To make matters worse, a stretch of the river closes seasonally, putting additional constraints on the Meyer grain facility.

For all of these reasons, the cooperative began contemplating building a grain facility in Missouri, closer to — and more efficient to use for — many of its members. A new facility would markedly reduce the time farmers needed to get their crops to the cooperative and increase their profits.

## Time to act

Finding the appropriate property with river access was critical, so when the right land became available, it was clear to the Ursa Co-op that it was time to act.

The cost of the new grain-handling facility was estimated at \$14 million. The cooperative's lender required that an objective feasibility study be done before it would consider financing the project. Ursa Co-op selected FCC Services to complete the study.

The Farm Credit System formed FCC Services more than 35 years ago to create a central organization to provide resources to benefit all of the System's entities. Some of the early FCC Services programs included director training and leadership development.

Through the years, FCC Services responded to the changing needs of the Farm Credit System by introducing

additional programs and services. For example, when liability coverage for directors and officers became difficult to purchase from the traditional insurance markets, a captive insurance company was formed by FCC Services to meet this need.

FCC Services continues to provide professional development and risk management services for the Farm Credit System, but in 2007 it expanded its reach into the agricultural cooperative marketplace.

"It made sense for FCC Services to serve agricultural cooperatives," says Scott Binder, chief executive officer of FCC Services. "Like Farm Credit entities that we have served for over 35 years, the companies are organized as cooperatives, have like cultures, are both integral parts of the food supply chain and have similar board and professional development needs."

### Study gauges project feasibility

Bill Wilson, director of agribusiness consulting for FCC Services and a 35-year veteran of working with co-ops and agribusiness, led the feasibility study to analyze the potential for Ursa Co-op to invest in a new grain facility.

The study focused on:

- Determining if the investment aligned with the cooperative's strategic business plan.
- Evaluating the current and projected financial condition to assess the co-op's overall capacity to support the investment and associated leverage.
- Conducting a comprehensive analysis of grain market dynamics and the likelihood of sufficient grain origination to support project feasibility.
- Performing a comprehensive evaluation of cash flow, investment payback and value.

"We did a lot of 'what if' analysis," says Hugenberg. "What if we had a marginal year? What else could jeopardize the project?" Every angle was thoroughly examined.

The study indicated the project was feasible. Based on the analysis of the

data and the results, Ursa decided to proceed with the expansion.

### River property purchased

After working with local and federal government officials, Ursa Co-op was able to purchase about eight acres of formerly blighted property and gained a land easement to access the Mississippi River. In addition to conducting the feasibility study, FCC Services also originated a \$2 million New Market Tax Credit to reduce the cost of the project.

Ursa Co-op broke ground on the Missouri facility in March 2012. Phase one of the project is expected to be completed in March of this year.

## Building stronger co-ops

Today's dynamic business environment demands more from leaders than ever before. They must be smarter, more effective and innovative decision-makers as they navigate an increasingly complicated financial and agricultural industry.

FCC Services provides numerous resources, programs and services for the Farm Credit System, agricultural cooperatives and other public and private businesses.

"To be a viable business in our fast changing world, you need great governance," says Scott Binder, chief executive officer of FCC Services. "You need an effective board of directors and an innovative business strategy. Once that strategy is ready to be put into place, you have to have rich human capital to execute the plan."

FCC Services offerings include:

- Board development through the Governance Series program, geared toward both the Farm Credit System and ag cooperative leadership;
- Talent management that assists in employee recruitment, selection and retention;
- Leadership development through a variety of educational programs and assessments for executives and team members;
- The Gettysburg Leadership Experience, a multi-day course to develop leadership skills;
- Organizational development, including strategic planning, consulting, succession planning and merger and consolidation assessments;
- Property and casualty risk management programs;
- Captive insurance and risk management;
- Credit risk management through audits of everything from credit to policy to internal controls;
- National Discount Program that leverages the collective purchasing power of cooperatives, associations, public entities and industry groups.

Hugenberg says the facility already is receiving grain and will ship stored crops by the end of March.

The Canton facility has the ability to load three barges at a time via a 1,136-foot, 36-inch wide belt. At the rate of 30,000 bushels per hour, a barge can be loaded in about three hours. Ultimately, when build-out is complete in the next year, the facility will be able to store about 3.8 million bushels.

"We've got a good project," says Hugenberg, who also manages the Canton facility. "Now we'll be able to grow our customer base and better serve existing members." ■





# Worker Cooperatives:

*Another variation on the co-op business model*

Members of worker-owned co-ops democratically own, govern and manage their businesses. This solar-power co-op and a commercial laundry co-op (facing page) are both part of the Evergreen family of worker co-ops in Cleveland, Ohio.

**By Charles Ling, Ag Economist**  
Cooperative Programs  
USDA Rural Development



A worker cooperative is organized by worker-members to pool their labor and other resources together for the business of producing certain goods and (or) services for the market. It is a business entity that is democratically owned, financed, governed and managed by its worker-members and accrues to them the benefits of their labor and efforts. This category of cooperatives represents yet another variation on the cooperative business model.

### Economic structure

The economic structure of a cooperative is defined as representing an aggregate of economic units. It is neither a vertical nor a horizontal integration between the cooperative and its constituent economic units, but a third mode of coordination. However, a worker cooperative is integrated with its member-workers in at least one aspect: its production operation. That's because the labor of worker-members is a factor of producing its goods and services.

The production operation needs to have overall coordination for the cooperative to be a coherent and efficient production entity. Management oversight and administrative control over members' work is necessary, although the management and administrative rules may be determined by worker-members themselves.

### Organization

The basic form of a worker cooperative is a centralized organization with all its workers as direct members.

### Governance

Governance is exercised directly by worker-members or indirectly through the board of directors (and other

designated bodies of representatives) who are democratically elected from among worker-members. In a worker cooperative, governance usually extends into managing every aspect of the cooperative's operation — beyond the usual domain of overseeing corporate affairs, making policies and setting guidelines.

### Equity capital

Like all other cooperatives, worker-members should furnish the cooperative's equity capital. In some cases, initial capital funding assistance



### Operation

Worker-members democratically own, govern and manage the cooperative and are meant to have total control over the operation of the business. They integrate their skill and labor with the cooperative's production process. In addition, the membership must possess entrepreneurship, managerial ability, technological knowhow and knowledge of the market in order to help manage a successful cooperative.

Entrepreneurship is the ability of perceiving business opportunities and setting out to organize capital, labor and other inputs to produce goods and services to exploit opportunities. Such ability is essential not only for starting a cooperative or other business, but also for adapting to a potential changing market environment once the business is running. Entrepreneurship also entails shouldering the risk of business gains or losses and success or failure.

Management is responsible for smooth and efficient operations in order to carry

*A worker-member plays the dual role  
of being a worker and an entrepreneur.*

may come from economic development agencies or social entrepreneurs to help meet shortfalls. For long-term economic viability, however, a cooperative must be self-sustaining. One way of accumulating worker capital over time is by retaining a portion of year-end net savings (earnings or profits) after distribution to members, based on the value of labor contribution to the cooperative's business or on other agreed-upon criteria.

out the cooperative's business plan. In a worker cooperative, manager(s) are democratically selected and management decisions and administrative rules are democratically determined, from the ground up. This is in contrast to most other firms, where administrative control is usually by fiat and workers have little say about management.

Worker-members may know all the technical processes of their industry, but technology advances over time. To stay

competitive, worker-members have to keep abreast of technology development and have sufficient alacrity in changing production processes.

Foremost in marketing, the cooperative must ascertain consumers' tastes and preferences and their changing nature so that products produced can meet consumers'

compared to their counterparts in the competing firms. However, to make this possible, the productivity of the worker-members would have to be higher than their counterpart workers. As for rewarding their capital investment and management time as part-owners, the level of net savings is dependent on the profitability of the cooperative.

*Worker-members democratically own, govern and manage the co-op and are meant to have total control over the business.*

expectation and satisfy their needs and wants. Knowledge of the market also includes knowing competitors' strengths and weaknesses.

### Special attributes

The equity of a worker cooperative is provided by member-workers. Therefore, the cooperative's ability to raise capital is constrained by members' financial resources. If there is not an adequate level of equity to strengthen the balance sheet, it would also be difficult to obtain debt capital.

The manager of a worker cooperative is usually democratically promoted from among worker-members and is, therefore, one among equals. This could cause management to be ineffective if the manager is not accorded adequate authority to manage.

Because worker-members play the dual role of being a worker and an entrepreneur, their rewards should be twofold: (1) a wage income for supplying production labor; and (2) a distribution of the cooperative's net savings for being a part-owner who participates in managing the cooperative's business.

By organizing the worker cooperative, worker-members may expect to have a higher wage income

With workers as members, if the cooperative's business is below its capacity, the likely solution is to have a shared reduction of working hours instead of laying-off workers, as is the common practice of non-cooperative firms. If the cooperative's business expands beyond its capacity, new worker-members would have to be recruited. To build teamwork, many worker cooperatives hire new employees for a trial period or apprenticeship before offering them membership.

Issues may arise from these attributes from time to time, but they should not be difficult to resolve when the cooperative is small with a limited number of employees and its business lines are relatively simple. (The vast majority of worker cooperatives in the United States are small businesses, having fewer than a dozen employees on average (*United States Federation of Worker Cooperatives; Deller, et al.*).

### Business model modifications

When a cooperative's business thrives and grows in its scale and complexity, it may have to make some modifications to its basic business model. For example:

- The cooperative may have to obtain

capital infusion from outside its membership if the financial resources of its members are not sufficient to finance its expansion. Members' ownership stake, along with their voice in governance, may then be diluted.

- The cooperative may have to hire management expertise from outside its membership. This may entail changes in the dynamism of member-management relations, especially if the new manager is not a member and seeks to exert management authority.
- If the cooperative has to hire a large number of new workers to staff a fast-expanding business, it may have to waive membership requirement of the new recruits, especially if competing in a tight labor market. Convincing the uninitiated to be worker-members and assume the dual role of being a worker and an entrepreneur may be a time-consuming process.

In the United States, modifications to the basic worker-cooperative business model may take the form of worker-owned businesses organized as Employee Stock Ownership Plans (ESOPs).

### References


- Deller, Steven, Ann Hoyt, Brent Hueth and Reka Sundaram-Stukel. Research on the Economic Impact of Cooperatives, University of Wisconsin Center for Cooperatives, revised June 19, 2009, table 2-2, p. 11.
- Emelianoff, Ivan V. *Economic Theory of Cooperation: Economic Structure of Cooperative Organizations*, Washington, D.C. 1942 (litho-printed by Edwards Brothers, Inc., Ann Arbor, Michigan). (A reprint by the Center for Cooperatives, University of California, 1995, may be accessed at: <http://cooperatives.ucdavis.edu/reports/index.htm>, pp. 230-244.)
- Ling, K. Charles. "The Many Faces of the Cooperative," *Rural Cooperatives*, Volume 79, Number 6, November/December 2012, pp. 24-29, especially table 2.
- Nourse, Edwin G. "The Economic Philosophy of Co-Operation," *American Economic Review*, Volume XII, No. 4, December 1922, pp. 577-597.
- United States Federation of Worker Cooperatives. "About Worker Cooperatives," <http://usworker.coop/aboutworkercoops>. (Accessed July 31, 2012). ■



# Effort launched to assist worker co-ops

**By Joe Rinehart**

Interim Rural Programs Coordinator  
Democracy At Work Network

The Democracy At Work Network (DAWN) has launched a Rural Technical Assistance Program (Rural TA), which will offer free or low cost technical assistance to help support worker cooperatives during the start-up, growth and expansion phases. The effort is being supported with the help of a Rural Cooperative Development Grant from USDA Rural Development. DAWN, a project of the U.S. Federation of Worker Cooperatives (USFWC), provides affordable business consulting services to worker cooperatives and cooperative development organizations. A team of certified peer advisors — comprised of worker-owners of successful worker cooperatives — will engage in a year-long training program to gain the skills needed to move from successful business person to successful cooperative peer advisor.

With its Rural TA Program, DAWN hopes to help worker-owned businesses realize their full potential to provide sustainable livelihoods that support thriving rural economies.

Worker cooperatives can be a fundamental building block of vibrant rural economies, anchoring jobs and key pieces of economic infrastructure inside of local communities. They are already an important part of many rural economic landscapes, ranging from Select Machines in Kent, Ohio, which preserved local manufacturing jobs after the founders retired, to Ad Astra Books and Coffee House in Salina, Kan.,



*Top: Amber Baker (left) and Ona Lindauer inside the Real Pickles facility in Greenfield, Mass. Below: Inside the Select Machines plant in Kent, Ohio. Both are worker-owned cooperatives.*

which is helping to lead the revitalization of a rural town's Main Street.

Other examples of worker co-ops include Real Pickles, a local food products manufacturer in Greenfield, Mass., which recently converted to a worker cooperative, and Cooperative Care of Waushara County, Wis., a cooperative of home-care workers that helps elderly and handicapped people remain in their own homes. Worker co-ops help ensure that a business remains focused on job creation, community health and providing a dignified workplace.

"At Ad Astra Books and Coffee House, we are expanding our community's downtown activities and culture," says Matthew Wygal, a worker/owner of the business. "We do this by providing a marketplace for the work of local and regional authors and musicians, by offering a steady supply of new and used books from both indie and best-selling authors, and by serving some of the best locally roasted coffee in town. Operating as a worker-owned cooperative, we can draw from each of our strengths in order to provide as much to our community as we can."

"Rural Americans have always used cooperatives to meet their needs," says USFWC Executive Director Melissa Hoover. "Worker cooperatives have previously tended to be concentrated in cities, but as the economy changes we're getting more inquiries from rural people — everyone from small farmers to recent immigrants to professionals who have lost their government contracts. These days people are struggling to make ends meet and to access and provide basic services in

*continued on page 42*

# Co-ops & Community

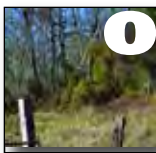
Retired educator, part-time farmer  
remains dedicated to schools



David Coppock is not only committed to farming and doing business with Union Farmers Cooperative, but also to the schools in Union County, Tenn. During a 41-year career in education, he served as a math teacher, basketball coach, principal and superintendent. He still has a part-time job as a school bus driver and serves on the school board. Photo by Jamie Bowman

## By Chris Villines

*This article is reprinted, slightly adapted and abridged, from Tennessee Cooperator, the member publication of Tennessee Farmers Cooperative. The “Co-ops & Community” page spotlights co-op efforts that fulfill the mission of “commitment to community.” If you know of a co-op, a co-op member or co-op employee whose efforts deserve to be recognized on this page, please contact: dan.campbell@wdc.usda.gov.*



In a recent trek to the grocery store, David Coppock was at one end of an aisle when he saw a middle-aged man

smiling and waving at him from the opposite end. Coppock waved back, even though he couldn't place the face. More than likely, it was someone he had in class during his 41-year educational career in Union County.

“It happens all the time,” says Coppock, a lifelong Maynardville, Tenn., resident and a farmer who belongs to Union Farmers Cooperative there. “It makes you feel good that people remember you, but a lot of the kids I had in school have grown into adulthood and changed so much that I just don't recognize folks sometimes. It can get kind of embarrassing.”

To say that he's influenced the lives of a few boys and girls would be a

supreme understatement. Those who attended school in his native county from 1963-2004 might best remember Coppock as their math teacher. Or basketball coach. Or principal. Or as superintendent of Union County Schools for 17 years (1984-2001). Or even as their bus driver.

“I was at Big Ridge Elementary my first 20 years,” says Coppock, who upon retiring nine years ago was immediately elected to the Union County School Board and is now in his third term as chairman. “Then, I went to Maynardville Elementary for one year before becoming superintendent. My last three years were at Maynardville again for one year and Sharps Chapel



Elementary for two.”

### Still steering for education

Not only is he still helping to guide the direction of the schools through his seat on the school board, but he is also literally steering kids home from school each day as a school bus driver.

“When I retired, I went back to running a bus route so I could earn a little extra spending money,” he says. “The bus and the school board keep me involved and up-to-date with what’s going on in the county. A lot of the kids who ride my bus are children or grandchildren of people I taught.”

There were also years during his career when Coppock filled two roles at once, such as teaching math and coaching both the boys’ and girls’ basketball teams at Big Ridge Elementary. At one time, he even had three roles: teacher, coach and principal.

“That was a bad situation,” he says. “There were always phone calls for the principal and people coming in wanting to see the principal. Class got interrupted a lot.”

About the only hats he didn’t wear at one time or another were janitor and cafeteria worker, though the watermelons and cantaloupes the part-time farmer grew were always welcome treats in school lunches around the county.

“I tried my best to help the children in any way I could,” he says. “When you had good students who wanted to learn, it was wonderful. I miss teaching from time to time, but it passes pretty quick.”

### Committed to farming and co-op

One thing that’s remained consistent throughout Coppock’s life, regardless of what capacity he’s served, is his commitment to farming with endeavors that have included tobacco, beef cattle, fruits and vegetables.

“I farmed the whole time I was in teaching and education,” he says. “Early in my career, I honestly don’t know how I did it. I was teaching, coaching, raising tobacco and some cattle, and going to the University of Tennessee at night to complete my degree. It was a

juggling act, I’ll tell you.”

He still grows some tobacco, albeit on a much smaller scale due to the tobacco buyout program, which the federal government introduced to help farmers transition to other types of farming. His primary focus these days is hay production and his 50-head cow/calf operation that he runs with help from his wife of 36 years, Kay, and grandson, Tyson, a junior at Union County High School. He also grows peppers, watermelons, cantaloupes, cucumbers and okra, on a small scale.

“I just loved going around and looking at those fields growing. Now, I really enjoy checking on the cattle every day and seeing how they’re doing. There’s nothing like a field of nice cattle. And now that there’s the Tennessee Ag Enhancement Program, I’ve been able to get the facilities to handle the cattle better and not get kicked or mashed.”

Coppock’s herd consists primarily of Angus and Charolais cattle, kept on three different lots around the 285-acre farm. He purchases his feed, diesel fuel and other farm supplies from Union Farmers Cooperative.

“At one time, all I had was purebred Charolais,” he explains, “but I started to get toward black [cattle] because it seemed like anywhere you went to eat they served Angus beef.”

The farm, bus route and school board aren’t all that keep Coppock busy these days. He’s also active with the Union County Optimist Club and Union County Business Professional Association and is on the boards of both the Union County Soil Conservation District and the Clinch-Powell Educational Cooperative. He also teaches Sunday School and leads singing at the church he and Kay attend.

“I’ve heard of a lot of people who retire and just go to the house and sit all the time,” Coppock says. “They don’t seem to last too long, either. I don’t want that to happen to me.” ■



*David Coppock raises Angus and Charolais cattle on his Maynardville farm. His dedication to farming and civic causes includes serving on the Union County Soil Conservation District and the Clinch-Powell Educational Cooperative. Photo by Chris Villines, courtesy Tennessee Farmers Cooperative*



# Smart Growth

Brattleboro Co-op's development includes downtown housing



*The new Brattleboro Food Co-op, in Brattleboro, Vt., not only includes expanded retail space, but also 24 new, energy-efficient apartments on the upper levels. USDA Rural Development provided financial support for the award-winning project. Photos courtesy Brattleboro Food Co-op*



**By Molly Lambert, State Director**  
Vermont/New Hampshire  
USDA Rural Development



Smart Growth” is a term we hear more often these days. It is the idea that as communities plan for the future, they

consider the highest and best use of every resource — land, infrastructure, organizations and people. From housing to transportation, and from energy to food, community developers and planners are asking how smart growth principles can be applied to ensure a sustainable and dynamic future for their communities and their residents.

*Paul Harlow, owner of Harlow Farm in Westminster, Vt., is a supplier of fresh produce to Brattleboro.*



*The new co-op store, which includes 14,000 square feet of retail space, supports more than 100 jobs and is a major buyer from local farmers.*



## **How is USDA involved in these efforts?**

Consider Brattleboro, Vt. With a population of 12,000, Brattleboro sits on the state’s southeastern border and is home to a vibrant mix of industry, art and education. Brattleboro’s downtown district was one of the first communities to take advantage of Vermont’s Downtown Program, giving it access to state tax credits and shining a spotlight on its rich history. Its vibrant downtown is an inviting mix of shops, restaurants, offices and an art deco theatre and hotel.

Anchoring one end of the downtown is the Brattleboro Food Co-op.

Founded in 1975, the Brattleboro Food Co-op started as a local buying club. It eventually grew into a popular retail destination featuring a wide range of products from nearby farms in Vermont, New Hampshire and Massachusetts.

By 2003, the Brattleboro Co-op was outgrowing its space. It considered moving to a new location outside of downtown. The board of the co-op, however, decided that its mission was

*Harvesting corn at High Mowing Organic Seeds in Wolcott, Vt.*







*Elaine Morley, of Couch Brook Farm, in Bernardston, Mass., harvests produce that will soon be on its way to the Brattleboro Co-op.*



*A direction sign helps guide shoppers around the new store.*

much more compatible with a smart growth solution to its expansion needs.

In the meantime, the Windham and Windsor Housing Trust (WWHT) and Housing Vermont were looking for a solution to Brattleboro's need for more mixed-income housing that would be easily accessible to the downtown's services and amenities.

With support from a \$4.2 million American Recovery and Reinvestment Act loan guarantee from USDA's Business & Industry Loan Guarantee Program, the Brattleboro Co-op remained downtown in a new, highly energy-efficient building with expanded retail space.

The new, \$9.1 million co-op space was originally envisioned as a two-story building. Through innovative partnerships, an additional two stories on the new building were developed by WWHT and Housing Vermont.

Although the co-op and the housing complex have separate ownership, they have similar commitment to the

sustainable future of Brattleboro.

The results are stunning. The new Brattleboro Co-op building opened in June 2012. The co-op now boasts over 14,000 square feet of retail space and supports more than 100 jobs. Over 60 percent of the products come from nearby farms, food producers and vendors.

The building also hosts a commissary kitchen and classrooms for cooking classes. Above the co-op, 24 new, energy-efficient, mixed-income apartments are available in downtown Brattleboro.

Recently, the Brattleboro Co-op won a 2012 National Award for Smart Growth Achievement from the U.S. Environmental Protection Agency (EPA). These awards, which began in 2002, recognize exceptional approaches to developments that respect the environment, foster economic vitality, enhance quality of life and provide new opportunities for disadvantaged communities.

"The new cooperative building incorporates money-saving and innovative environmental features while fitting with the character of a traditional walkable New England town," an EPA official said in presenting the award. "Community members were the true champions of this project, insisting on a downtown location for their co-op that integrates both the grocery store and mixed-income housing."

The Brattleboro Co-op is profiled in the Know Your Farmer Know Your Food Compass ([www.usda.gov/wps/portal/usda/usdahome?navid=KYF\\_CO MPASS](http://www.usda.gov/wps/portal/usda/usdahome?navid=KYF_CO MPASS)) as an example of how local food systems can anchor community development and planning. Other examples of how the federal government is supporting the role of local food in communities across the country are also included on that website. ■



# Newsline

## Co-op developments, coast to coast

Send co-op news items to: [dan.campbell@wdc.USDAGov](mailto:dan.campbell@wdc.USDAGov)

### Fifth Season sees first year success

The Fifth Season Cooperative — a multi-stakeholder co-op owned by farmers, distributors, buyers, producer co-ops, workers and processors — says it has completed a successful first full



*Carolyn Austin, co-owner of Austin's Rush Creek Farm in Ferryville, Wis., and her granddaughter, Ava Schneider, harvest green onions to sell at an upcoming farmers market. Austin is a member of the Fifth Season Cooperative.*

year of operations. The cooperative produces and distributes locally grown produce, meats, dairy and value-added food products to institutional and foodservice buyers from farms and regional processors. Distribution is made through its member, Reinhart Food Service in La Crosse, Wis.

The co-op, the members of which are located within a 150-mile radius of

Viroqua, Wis., requires sustainable farming practices and provides fair pricing for small- and mid-sized growers and processors. The cooperative also works together with businesses and organizations to provide education on and increased exposure to locally produced foods.

Current membership includes 26 independent farms, three farmer cooperatives, seven processors and one distributor. Fifth Season's products are available (through Reinhart) to 3,500 food service buyers.

"It's gratifying to see how Fifth Season is already contributing to the health of our region's children by supplying fresh foods to area schools," says Marilyn Volden, Fifth Season board member and Food/Nutrition Program supervisor for the Viroqua Area School District.

Fifth Season says it has met its infrastructure and membership goals and is seeking investors to build on that success. The co-op has launched "Help Us Grow," a capital campaign with an offering of Class B Series 1 preferred stock to Wisconsin residents. The campaign is intended to attract investors who are interested in supporting Fifth Season's regional

model and the businesses and communities it serves.

The campaign's goal is to help achieve a level of sales that makes the co-op profitable and sustainable, including a broader product portfolio, more robust infrastructure and logistics and marketing and staffing support.

"We're fortunate to have visionary partners and customers who are vested in the growth of the Fifth Season system, even though it's still in its infancy," says Mike Dvorak, Fifth Season board member and division president at Reinhart Food Service.

For more information, contact Chapeta at: [info.fifthseason@gmail.com](mailto:info.fifthseason@gmail.com), or 608-638-2667

### ACE Institute set for Puerto Rico

The Association of Cooperative Educators (ACE) will hold its 2013 Institute in San Juan, Puerto Rico, this Aug. 4-7. The program will focus on innovations in co-op research, education and development from across North America. Attendees will also learn about co-op education initiatives in Puerto Rico, from elementary school through the university levels, as well as for co-op boards.

Co-op curriculum and programs for youth and professional development opportunities for co-op educators will be part of the program. Meetings will also focus on how co-ops can help meet economic challenges and examine co-ops that not only have a local economic impact but also benefit the environment.

The institute will be hosted at the Verdana Hotel. For more information, contact Sarah Pike at: [pike@ace.coop](mailto:pike@ace.coop).

### Paper or plastic? Marva Maid provides option

Marva Maid, a farmer-owned dairy cooperative that has been supplying its region with fresh milk for five decades, has brought back the milk carton. The original “paper bottle” was patented in

means the milk stays fresher longer.” But better taste is only part of the story.

Lovell says Marva Maid cartons are environmentally friendly. For more than 40 million households, cartons are recyclable. They are made with renewable energy — more than 50 percent of the energy used to make the carton comes from biomass. Further, Marva Maid cartons are made from renewable materials, with more than 70



1915 by a toy maker in Ohio. Now, almost 100 years later, Marva Maid is leading the charge to bring back the classic carton with a new, technological twist.

Why? Because it says cartons mean better milk and a cleaner environment.

“First and foremost it’s about what we are always focused on: freshness,” says Danny Lovell, general manager of Marva Maid Dairy, based in Newport News, Va. “Our cartons feature Tru-Taste® barrier board that keeps oxygen out, taste and vitamins in. That also

percent of the carton material coming from responsibly managed forests, he notes.

More than 1,500 dairy farmers in 11 states, from Pennsylvania to Alabama, are the owners and operators of the Maryland and Virginia Milk Producers cooperative, of which Marva Maid is a division. It processes nearly 3 million gallons of milk per month and distributes dairy products in communities throughout most of Virginia, West Virginia and eastern North Carolina.

### DFA settles lawsuit

Dairy Farmers of America in January announced settlement in a class action lawsuit filed by a group of producers in the southeastern United States. While making no admission of wrongdoing, DFA will pay the plaintiffs \$140 million under the terms of the settlement, filed with the U.S. District Court for the Eastern District of Tennessee.

Filed in 2007, the lawsuit alleged that DFA and four other defendants conspired to control the raw milk market in the Southeast in several ways, including the use of exclusive supply contracts with Dean Foods that they claim excluded competition from independent milk farmers and co-ops in the Southeast.

The Reuters news agency reported that this was the third and final settlement arising from the litigation. Milk bottler Dean Foods’ settled for \$140 million and the Southern Marketing Agency (SMA) and one of its managers settled for \$5 million.

DFA says the settlement includes an additional, refundable \$9.3 million per year for two years that will be placed in a fund to create stronger incentives for Class I utilization rates in Federal Orders 5 and 7. The agreement also includes remedial actions involving reporting, accounting and communication of certain business information and functions. DFA says many of these components are consistent with new policies and procedures its management had voluntarily developed and implemented previously to emphasize a culture of transparency within the cooperative.

“Our board and management team have worked diligently to put certain old issues behind us,” said Rick Smith, president and chief executive officer. “This outcome positions DFA to fulfill a commitment to our members to resolve pending litigation, to remove a source of distraction for our leadership and to avoid additional legal fees.”

The payment of the settlement will not affect the cooperative’s day-to-day

## Share your co-op news

To have news about your co-op appear in Newsline, send press releases and announcements to: [coopinfo@wdc.usda.gov](mailto:coopinfo@wdc.usda.gov), or [dan.campbell@wdc.usda.gov](mailto:dan.campbell@wdc.usda.gov). Items of interest include: new co-op formations, new products and services, notable co-op milestones achieved (such as key anniversaries), acquisitions and mergers, co-op subsidiary launches, annual financial performance, community service efforts, new board chairs or CEOs/managers and co-op education efforts, among many other topics. Photos are also welcome, but need to be of print quality, or about 300 dpi at four to five inches wide. ■

operations or its ability to market members' milk or pay them a competitive price for that milk, he added. Member milk checks and the member equity program will not be impacted.

### **USDA releases report on growing role of food hubs**

Agriculture Deputy Secretary Kathleen Merrigan in February announced the release of a report which provides a comprehensive look at the economic role, challenges and opportunities for food hubs in the nation's growing local food movement. The announcement was made during a visit to Hollygrove Market and Farm, a produce market, local distributor and farm in downtown New Orleans.

(Editor's note: for details on how to order the report, see the back cover of this magazine.)

In operation since 2009, Hollygrove sources from 20 local growers in southern Louisiana and Mississippi. Hollygrove's mission includes increasing access to fresh produce for under-served New Orleans neighborhoods. The organization first began operations as part of the city's post-Hurricane Katrina rebuilding efforts.

"At USDA, we are committed to food hubs because we believe that they offer strong and sound infrastructure support to producers across the country which will also help build stronger regional food systems," Merrigan said. "This report is an important addition to the ongoing research in this field and Hollygrove is an example of how it is done."

James Matson, a former co-op development specialist with USDA's Cooperative Programs and a frequent contributor to *Rural Cooperatives*, is the lead author of the report, titled: *The Role of Food Hubs in Local Food Marketing*. The report was produced with financial backing from USDA.

With an increasing demand for fresh, local foods, the report finds that the



*Agriculture Deputy Secretary Kathleen Merrigan watches Chef Paul Prudhomme prepare a vegetable dish during her visit to Hollygrove Market and Farm in New Orleans, La., where she announced the release of a new USDA report about food hubs. USDA photo by Karen Lawson*

success of food hubs is rapidly expanding, with well over 200 food hubs now operating in the United States. They are a part of a distribution system designed to move locally produced food into mainstream markets by supplying chains for goods to go from farms to the table efficiently.

The dramatic increase in the number of food hubs since President Obama took office has been supported by state and federal efforts, including USDA programs such as Rural Business Enterprise Grants, Rural Business Opportunity Grants, Value-Added Producer Grants and the Business and Industry Guaranteed Loan Program.

For example, as noted in the report, USDA Rural Development's cooperative grants can be used to support building local food systems infrastructure. The Federation of Southern Cooperatives/Land Assistance Fund in Alabama received a grant to establish a vegetable processing and marketing cooperative and a regional goat processing and marketing cooperative. The Federation also trains and supports members involved in

direct marketing activities, such as selling at urban farmers markets, redeeming nutrition assistance coupons and selling directly to schools. Part of the grant focused on business planning and training for community development credit unions.



### **CHS sets records for income, cash payout to members**

CHS Inc. reported record net income of \$1.26 billion on revenue of \$40.6 billion for its 2012 fiscal year. During fiscal 2013, CHS expects to return an estimated \$600 million of its fiscal 2012 earnings to its owners in cash, believed to be the largest cash payment to members ever made by a cooperative.

Thanks to consistent, strong financial performance, coupled with



strategic domestic and global investments, CHS is positioned for continued, long-term growth, company leaders reported at the co-op's annual meeting in Minneapolis, attended by 2,200 of its owners and guests.

"When it comes to the producers and cooperatives who own us, and the customers we serve around the world, we must not only invest in the future, but make sure we provide relevant options for doing business with us," said Carl Casale, president and CEO of the nation's largest cooperative. "In the last two years, we've made three dozen major news announcements on investments and acquisitions on our owners' behalf that strengthen our presence at home and around the world in energy, grains, processing and food ingredients."

Highlights of fiscal 2012 include:

- Plans to acquire sole ownership of the McPherson, Kan., refinery, in which it has long been the majority owner. The facility is the site of a \$555-million coker project, which converts residual oil into gases and petroleum coke. CHS also continues to invest in its Laurel, Mont., refinery, as well as strengthen its refined fuels supply and distribution in the northern tier of the United States.
- Stronger cooperative system alignment has been achieved as five co-ops and a Canadian firm chose to join the CHS Country Operations retail business unit, and CHS partnered with several local co-ops on a variety of grain, crop nutrients and energy projects.

In other CHS news, Steve Burnett, the co-op's former chairman, died Jan. 19 at age 72. Burnett was a Moro, Ore., farmer who played a major role in the mergers of several co-ops to create CHS. The most notable merger was the 1998 unification of Harvest States Cooperatives and Cenex Inc.

"Steve's vision, dedication, quiet leadership and gentle humor played invaluable roles in setting future direction and in helping cooperatives

address challenging organizational changes and emerge even stronger," says CHS Chairman David Bielenberg, also an Oregon producer. "He viewed the cooperative system as a tool essential to producers' success."

### **CoBank earnings climb sharply; record patronage paid**

CoBank has reported net income of \$853.9 million for 2012, up 21 percent from \$706.6 million in 2011. Net interest income rose 16 percent, to \$1.238 billion for 2012, which reflects a 40-percent increase in average loan volume, to \$70.3 billion. Total loans



outstanding at year end were \$72 billion.

The large increase in average loan volume was driven primarily by CoBank's merger with U.S. AgBank on Jan. 1, 2012. Through the merger, the bank acquired U.S. AgBank's assets and liabilities, including about \$20 billion in lower-spread, lower-risk wholesale loans to 25 Farm Credit associations. CoBank serves agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States.

CoBank also experienced higher average loan volume during the year in its Rural Infrastructure operating segment, primarily due to growth in lending to rural electric customers throughout the country, as well as an increase in agricultural export financing due to the growing role of U.S. agriculture in feeding the world. These increases offset declines in seasonal agribusiness lending that occurred as a result of lower commodity prices in the first half of the year, shifting farmer delivery patterns at grain and farm supply cooperatives, and the strong

financial position of agricultural cooperatives and businesses.

"Our merger with U.S. AgBank more than lived up to expectations, delivering meaningful and enduring benefits for our business," says Robert B. Engel, the co-op's president and CEO. In March, the bank will distribute \$425 million in total patronage, including \$344.5 million in cash and \$80.5 million in common stock. For most customers, that will represent 100 basis points of average qualifying loan volume during the past year, effectively lowering their overall net cost of debt capital from CoBank.

"This year's

record patronage payout includes the 75 percent cash component approved by our board of directors in December," Engel

said. "As a cooperative lender, we're delighted to be providing our customer-owners with such a significant return, which they can use to invest in the future growth of their own businesses."

In other news, CoBank has announced the creation of a \$5 million fund to support agricultural research and education at land-grant universities and other institutions throughout the nation. The CoBank contribution will support a broad range of programs at more than 30 schools, including academic research, scholarships for students, cooperative education and leadership development.

### **Co-op governance symposium slated**

Saint Mary's University in Halifax, Nova Scotia, will host the International Cooperative Governance Symposium this Sept. 5-7. The symposium will be a gathering of leading co-op governance practitioners and researchers who will discuss and debate the challenges and opportunities for cooperative governance on a global scale.

The format of the symposium will be

interactive, with all participants highly engaged in the agenda. Through a combination of presentations, panels and working sessions, the symposium is intended to “stretch your mind, call on your expertise and expose you to approaches from around the world.” Proposals for workshops, panels and presentations from academics and practitioners should be submitted by May 1.

Symposium focus areas will include: emerging governance approaches and models; preserving and enhancing democracy in cooperative governance; upholding ownership and control by membership; challenges in applying traditional and corporate approaches to co-ops; maintaining governance strength in crisis: demutualization, competition, etc., and director education, including leading practices and areas of need.

For more information or to register, contact: Karen Miner at: karen.miner@smu.ca, call (902) 496-8170, or visit: [www.smu.ca/academic/sobey/mmm/governance-symposium.html](http://www.smu.ca/academic/sobey/mmm/governance-symposium.html).

### UFC purchases Jensen Seed & Fertilizer

United Farmers Cooperative (UFC) has completed the acquisition of Jensen Seed & Fertilizer, north of Aurora, Neb., from owner Clint Jensen. Headquartered in York, Neb., UFC says it will increase regional efficiency and reliability with the addition of agronomy services based in the Aurora area.

The acquisition will complement the January 2012 purchase of the Marquette location and allow UFC to better serve a growing customer base, it says. The purchase of the Aurora facility brings UFC’s total to 32 locations in Nebraska and Kansas.

“We are always looking for the right fit for United Farmers Cooperative,” says UFC CEO Carl Dickinson. “It’s not about growth, but more about ‘Does it make sense to our current producers?’ If we can clearly see the

value and we see the opportunity for success, then it is a natural fit.”

The Aurora location will be primarily an Agronomy location. UFC serves over 3,500 voting members and close to 8,500 non-voting members in Nebraska and Kansas.

### Southern States’ Roanoke Mill honored

Southern States Cooperative’s Roanoke Feed Mill has been named best in the nation for 2012 by the American Feed Industry Association (AFIA), and Feedstuffs, a weekly newspaper for agribusiness. This is the third time in six years that a Southern States mill has been so honored. The award was presented in January at the

that we have a great staff of seasoned, hard-working employees that love to make feed!”

The award is designed not only to recognize excellence in feed manufacturing operations but also to encourage overall improvement in the feed manufacturing industry. A new grading system, instituted in 2007, provides valuable feedback to every plant that enters the competition. Increased safety, quality, regulatory compliance, operating efficiencies and overall industry awareness of food safety are promoted, and as companies compete, their operations continue to improve and the overall image of the feed industry is enhanced. About 90 mills throughout



*Southern States Cooperative’s Roanoke Feed Mill Manager Dave Jones (right) receives the American Feed Industry Association’s (AFIA) Feed Mill of the Year Award from AFIA Vice President for Manufacturing and Training Keith Epperson. Photo courtesy Southern States Cooperative*

Vinton, Va., facility by Keith Epperson, AFIA vice president of manufacturing and training.

The Roanoke mill manufactures more than 100,000 tons of feed each year, mostly dairy, beef, horse and other livestock feed products. “Our goal is to be the best one-stop feed manufacturer for the 60-plus Southern States stores and private dealers we service,” said mill Manager Dave Jones. “But the most important part of the whole equation is

the nation submitted entries in the 2012 competition.

Established in 1923, Southern States has more than 300,000 farmer-members and 1,200 retail outlets in the eastern United States.

### USDA Farm to School grants available

Agriculture Deputy Secretary Kathleen Merrigan in February announced the release of a request for

applications (RFA) for the latest round of USDA's Farm to School grants. These grants help eligible schools improve the health and well-being of their students and connect with local agricultural producers.

"USDA's Farm to School grants connect schools with their local farmers, ranchers and food businesses, providing new economic opportunities to food producers and bringing healthy, local offerings into school cafeterias," Merrigan said. "USDA continues to make improvements to the nutrition of food offered in schools, and investing in farm to school programs is yet another important opportunity to encourage our nation's kids to make lifelong healthy eating choices."

This year, three different kinds of grants will be available. Planning grants are intended for schools just getting started on farm to school activities, while implementation grants are available for schools seeking to augment or expand existing efforts. Additionally, eligible nonprofit entities, Indian tribal organizations, state and local agencies, and agriculture producers or groups of producers may apply for support service grants in order to conduct trainings, create complementary curriculum, or further develop supply chains, among other activities.

Proposals are due at midnight Eastern Time, April 24, 2013.

The Farm to School Grant Program is part of the Healthy, Hunger-Free Kids Act, which authorized and funded USDA to assist eligible entities, through grants and technical assistance, in implementing farm to school programs that improve access to local foods in eligible schools. The Act provides \$5 million annually to support grants, technical assistance and the federal administrative costs related to USDA's Farm to School Program. In this funding cycle, USDA anticipates awarding up to \$5 million in grants.

For more information, visit: [www.fns.usda.gov/cnd/f2s/f2\\_grant\\_program.htm](http://www.fns.usda.gov/cnd/f2s/f2_grant_program.htm).

## CCA Institute slated for Nashville in June



"Sound Ideas: The stage is set in Nashville" is the theme for the 2013 Institute of the Cooperative Communicators Association, to be held June 1-5 in Nashville, Tenn. The conference provides numerous opportunities for co-op communicators to learn from each other and from media experts. A presentation on the art of storytelling will be made by Bill Landry, host and producer of the five-time Emmy Award-winning "The Heartland Series," based in east Tennessee. The series is the most highly awarded local television program in the region's history.

Other speakers include famed

Appalachian region photographer Tim Barnwell; Associated Press bureau chief Michelle Williams; creativity and brainstorming expert Tim Earnhardt; media relations specialist and former TV anchorwoman Heather Orne and "social media virtuoso" Megan McKoy-Noe of the National Rural Electric Cooperative Association.

Leanna Comer will discuss why "Image is everything" and how it relates to co-op brands, both through graphics and market placement. Presentations will also be made by Belmont University writing instructor Dorren Robinson, by film pro Barry Richards and by voice-over artist Christi Bowen. Marketing expert Bob Cohen of Ohio State University will conduct a "Co-op 101" session, while Jim Sherraden, manager and chief designer of Nashville's iconic Hatch Show Print studio, will discuss the creative process and his preservation of country and rock n' roll music culture through poster and music bill designs.

For registration and other information, visit: [www.communicators.coop](http://www.communicators.coop). ■



### Record sales, earnings at Land O' Lakes

Land O'Lakes Inc. achieved record sales of \$14.1 billion and record net earnings of \$241 million in 2012. Net sales were up 10.2 percent and net earnings increased 31 percent over 2011.

Three of its business segments

achieved record sales. The co-op returned \$113 million to members in 2012, the fourth consecutive year in which member returns exceeded \$100 million.

The years 2007-2012 represent the top six years for net sales and earnings in company history. During the same



Among the factors that influenced

The Dairy Foods unit achieved strong results in 2012 despite significant challenges in the first half of the year caused by growth in milk supplies and

In addition to the popularity of a number of new consumer dairy foods, the Dairy Foods segment also grew through new acquisitions in 2012.

*continued on page 42*

USDA Co-op Info  
Stop 0705  
1400 Independence Ave, SW  
Washington, DC 20250



including Kozy Shack Enterprises Inc., a leading brand of refrigerated desserts, and a 50-percent ownership in Eggland's Best LLC, a newly formed joint venture with Eggland's Best Inc.

In the feed sector, Purina Animal Nutrition had a strong performance, boosted by the launch of a major new branding platform, new product lines and a key acquisition. Net sales were \$4.6 billion, up 15 percent, while pretax earnings of \$31 million climbed 63 percent.

In the Crop Inputs division, Winfield Solutions delivered record results, with net sales \$4.7 billion, 18 percent higher than 2011. Pretax earnings of \$228 million soared 62 percent.

For the Layers unit, conducted through Moark LLC, it was a challenging year. Unfavorable results

were caused primarily by high feed costs and lower commodity and brown egg pricing. Losses for the segment totaled \$34 million, compared with a loss of \$3 million in 2011, even though a net sales record was set at \$735 million, up 23 percent from 2011.

### Ag journal seeks papers on co-ops

The *Journal of Agriculture, Food Systems, and Community Development* (JAFSCD) is requesting manuscripts that explore the intersection of cooperatives with alternative food systems. Deadline for submissions is Aug. 1, 2013. Manuscripts will be peer reviewed and, if selected, will be published in the JAFSCD winter 2014 issue.

Interested authors may visit the JAFSCD website at: [www.AgDev](http://www.AgDev)

Journal.com and access the "Latest Call" web page to learn more. To be considered, a query form and draft manuscript must be provided to Duncan Hilchey, editor in chief, at: [Duncan@newleafnet.com](mailto:Duncan@newleafnet.com). Submission guidelines and the query form are at [www.AgDevJournal.com/submissions.html](http://www.AgDevJournal.com/submissions.html).

JAFSCD is requesting reports of qualitative and quantitative studies, case studies, review articles, essays and commentaries.

Manuscripts dealing with collaborative initiatives that do not involve formal cooperative enterprises, but which still embody cooperative values and principles, are permitted.

To be considered, papers should be empirically based and contribute to knowledge about the development of agriculture and food systems. ■

---

## Commentary

*continued from page 2*

help co-ops help communities.

We know our efforts boost rural economies, which in turn bolsters U.S. economic strength. As Agriculture Secretary Tom Vilsack has noted, rural America is critically important to our nation. With 98 percent of Americans living off the farm and many folks living in metro areas, we need to tell our story proactively and often.

We can't afford to allow rural communities to be left out or left behind, particularly in Washington. A strong rural electric network leads to a stronger rural America — an innovative rural America.

Rural innovation has given us the most abundant and affordable food supply in the world.

Rural innovation has given us renewable energy and clean-burning fuel. Rural innovation not only brings down prices at the pump, but leads to increased prosperity in rural areas. We are expanding production of bio-

products, which are adding jobs and will strengthen rural economies for years to come.

As leaders in your communities, we need you to tell the story. So I am calling on each and every one of you to not just speak to your neighbors, friends and members, but to take our story to the cities and suburbs.

I look forward to working with you and the communities we serve in the year ahead!

*Editor's note: Comments about how to improve RUS programs can be sent to: [anne.mayberry@wdc.usda.gov](mailto:anne.mayberry@wdc.usda.gov). ■*

---

## Effort launched to assist worker co-ops

*continued from page 29*

tough rural economies. They're seeing cooperatives as a solution."

As part of its rural technical assistance program, DAWN will be able to provide a wide variety of technical assistance services to rural cooperatives at low or no cost. From providing basic business services and mentorship to

more in-depth research, DAWN's peer advisors prioritize building the internal capacity of the cooperatives they work with and connecting their clients to the broader cooperative community.

Among the services that DAWN offers are:

- Building cooperative business start-up "road maps";
- Feasibility studies;
- Strategic planning;
- Democratic governance structure design and training;

- Growth and expansion planning;
- Financial training;
- Loan readiness;
- Support to nonprofits developing cooperatives for economic development.

For more information, or to request assistance, rural cooperative members and other interested parties should visit: [www.dawn.coop](http://www.dawn.coop), or send an e-mail to: [rural@dawn.coop](mailto:rural@dawn.coop). To apply for technical assistance, visit the application page of the website. ■

## Farmers' Rice Cooperative

continued from page 15

Farmers' Rice has adopted best production practices that have decreased water use and promoted development of disease-resistant varieties. These and other actions have helped the co-op reduce its carbon footprint and preserve local wildlife.

For example, many co-op growers flood their rice fields after harvest, which allows the crop stubble that remains after harvest to biodegrade naturally, creating habitat for flocks of migrating waterfowl. In the past, growers would burn off the rice stubble, creating major conflicts with Sacramento and other towns in the growing region.

Increasing numbers of U.S. consumers say they value

environmentally friendly production methods, but this is less the case in developing nations, where food security is the major issue.

U.S. agricultural cooperatives face constraints in conducting business overseas. These include tariffs, import quotas and other trade restrictions.

Despite such obstacles, Farmers'

Rice cooperative has successfully differentiated its products in the market and has branded itself in many places around the world as a top source for medium-grain rice. It has also helped U.S. rice producers to gain more market access, resulting in higher export sales and shifting global consumer demand to U.S. products. ■



This ad for Farmers' Rice Cooperative products ran in a magazine in Jordan.



United States Department of Agriculture

### Attention Hispanic and Women Farmers and Ranchers

If you, or someone you know, believe the United States Department of Agriculture (USDA) has improperly denied you farm loan benefits between 1981 and 2000 because you are Hispanic or female, you may be eligible to apply for compensation.

**Claims MUST be postmarked by MARCH 25, 2013 to be considered for cash payment or loan forgiveness.**

If you think you might be eligible to file a claim, please access the Farmer and Rancher Call Center or Website:

**1-888-508-4429**  
**www.farmerclaims.gov**

For guidance, you may contact an attorney or other legal service provider in your community. If you are currently represented by an attorney regarding allegations of discrimination or in a lawsuit claiming discrimination, you should contact your attorney regarding this claims process. USDA cannot provide legal advice.

USDA is an equal opportunity provider and employer. September 2012

### Atención Agricultores y Ganaderos Hispanos o Mujeres Agricultoras o Ganaderas

Si usted o alguien que usted conoce considera que el Departamento de Agricultura de Estados Unidos (USDA por sus siglas en inglés) le negó indebidamente beneficios de préstamos agrícolas entre los años 1981 y 2000 por ser hispano o mujer, es posible que cumpla con los requisitos para solicitar compensación.

**Solo reclamaciones enviadas por correo y fechadas por el servicio postal el 25 Marzo 2013 o antes pueden ser consideradas para pago en efectivo o alivio de deuda.**

**Si usted considera que califica para solicitar compensación, por favor llame al Centro de Llamadas para Agricultores y Ganaderos o ingrese a la página web:**

**1-888-508-4429**  
**www.farmerclaims.gov**

Para recibir asesoramiento, comuníquese con un abogado u otro proveedor de servicios legales en su comunidad. Si a usted actualmente lo representa un abogado o ha iniciado una demanda alegando discriminación por el USDA, debe ponerse en contacto con su abogado con respecto a este proceso de reclamaciones. El USDA no le puede ofrecer asesoría legal.

USDA es un proveedor de servicios / empleador que ofrece igualdad de oportunidades para todos. Septiembre 2012







OFFICIAL BUSINESS

Penalty for private use, \$300

NOTICE:

- ☐ Check here to stop receiving this publication and mail this sheet to the address below.
- ☐ NEW ADDRESS. Send mailing label on this page and changes to:

USDA/Rural Business—Cooperative Service  
Stop 0705  
Washington, D. C. 20250-3255

Periodicals Postage Paid  
U.S. Department of Agriculture

## Food Hubs

### A new strategy for marketing local foods

Local food sellers know that consumers are willing to pay a premium for locally- and regionally-produced food products. But they lack distribution systems for getting their products to mainstream markets.

Food hubs offer a new marketing strategy to small- and mid-size producers, by connecting them as directly as possible to rural, suburban, and urban markets. They're part of a growing local food system that lowers barriers to entry and improves infrastructure, helping to create jobs.

The Role of Food Hubs in Local Food Marketing, Service Report 73, is a comprehensive look at this growing new trend. Free of charge, it's available in hard copy or electronically.

Look for it online at:  
<http://www.rurdev.usda.gov/supportdocuments/sr73.pdf>

Or get your free hard copies by e-mailing [coopinfo@wdc.usda.gov](mailto:coopinfo@wdc.usda.gov), calling (202) 720-8381, or writing:

USDA Co-op Info  
Stop 0705  
1400 Independence Ave. SW  
Washington, DC 20250



### Also Available

SR 73's companion publication, the Regional Food Hub Resource Guide, from USDA Agricultural Marketing Service.

A collection of information and resources, providing background on everything needed to develop or participate in a regional food hub. Outlines funding opportunities, support resources, best practices, strategies to address challenges, and more.

Look for it at [www.ams.usda.gov/foodhubs](http://www.ams.usda.gov/foodhubs)  
Free hard copies available by e-mailing [james.Barham@ams.usda.gov](mailto:james.Barham@ams.usda.gov)