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# Rural COOPERATIVES

USDA / Rural Development

January/February 1999



*Special Issue  
Celebrating  
Sixty-Five Years  
of Cooperative  
Progress*

65 years

## Magazine Time Capsules Reveal Progress of Co-op Movement

We begin the year marking the end of the millennium with this special issue of “Rural Cooperatives” looking back over the past 65 years of cooperative progress as reported on the pages of USDA’s cooperative magazine, begun in April 1934. Article excerpts have been culled from the nearly seven decades of the magazine’s existence to capture milestone events and developments in the nation’s cooperative movement.

Naturally, since our timespan covers most of the 20th century, space permits the inclusion of only a representative sample of cooperative news and events as reported in the magazine. Nevertheless, the highlights provide a fascinating chronicle of cooperative progress over 65 years. Our thanks to Patrick Duffey, Pete Manzelli and Daniel Campbell of the Rural Development Office of Communications for producing this issue.

Reading the news briefs on the following pages gives a sense of history in the development of agriculture and the evolution of cooperatives as a vibrant sector of the farm economy. It will also demonstrate the role of USDA in assisting the development of farmer-owned businesses, the various types of business activity they have engaged in and — in some cases — when these activities were eclipsed by changing technology and times. Statistical articles throughout this period document the growth in number of cooperatives, then a gradual reduction in numbers as changing transportation modes and size of farms enlarged service areas that led to the trend toward consolidations that continues to this day. Volume of business transacted has continued to increase, as have market shares.

USDA’s work with cooperatives predated the creation of the magazine, dating back to the early 1900s. A number of reports about cooperatives were issued by USDA following passage of the Cooperative Marketing Act of 1926 — which formally created a multi-mission cooperative services unit within USDA. The cooperative unit was part of the Farm

Credit Administration (FCA) from 1933-53. The Cooperative Research and Service Division of FCA tracked the emergence and performance of the cooperative farm credit system along with the marketing, farm supply and farm service sectors of the cooperative movement.

Following separation from FCA in 1953, the Farmer Cooperative Service was established as an independent USDA agency and primarily focused on marketing, farm supply and related service cooperatives. The magazine continued as “News for Farmer Cooperatives,” published by the new agency. The Rural Electric Administration concentrated on electric and telephone cooperatives, and FCA — now separated from USDA — focused its energies on farm credit banks and the banks for cooperatives.

Of particular interest in the recap is the emerging use of petroleum and commercial fertilizer as the horse and buggy days were replaced by farm automation. Marketing cooperatives similarly changed dramatically in scope of business and service territory. Development of brands for foods processed by cooperatives took on a regional and often national identity. More products were exported abroad.

The different roles performed by cooperatives during World War II provides insight into how co-ops were called upon to meet defense needs in weapons manufacturing as well as materials used in fighting the war.

Our retrospective captures the emphasis USDA placed on the development of cooperatives in such areas as irrigation, insurance, poultry marketing, frozen food lockers, handcrafts and transportation.

Certain areas of emphasis are consistently found throughout the seven decades chronicled. These recurring themes include: the importance of cooperative education in spreading knowledge of cooperative principles and practices; the importance of members making a commitment through member agreements and equity investments to

finance cooperatives; cooperative combinations through mergers or consolidations; and coordination through federations, marketing agencies-in-common and joint cooperative ventures.

The emergence of new technical services provided by local and regional cooperatives and, beginning in the 1970s, creation of value-added/new-generation cooperatives in both farm production and marketing are also documented. Similarly, the tremendous wave of consolidation and mergers among local and regional farm supply, marketing and credit cooperatives can be observed.

Each reader will draw different lessons from this chronology of the role cooperatives have played in service to agriculture. Overall, this chronology provides an overwhelming sense of the growing presence and importance of cooperative self-help activity — despite a number of setbacks — as cooperatives have steadily increased their share of farm marketing and farm supply purchases and farm services.

What does the future hold? Cooperatives will certainly continue to restructure to meet the needs of a changing farm constituency. Cooperatives will continue to fulfill their role as a primary means for farm entrepreneurs to maintain market access and services as we enter the new millennium.

We hope this look back at the past 65 years will provide insight that helps all cooperatives continue to progress during the next 65 years and beyond. No matter what technological, economic and social changes lie ahead of us, the advantages of rural people working together to direct and control their own fate will never diminish.



Randall E. Torgerson  
Deputy Administrator  
RBS Cooperative Services

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## For 65 Years, USDA's Magazine Has Helped Guide Co-op Movement



Gene Ingalsbe, the fifth editor, brought modern journalism practices to the magazine.

By Patrick Duffey, Communications Specialist,  
USDA Rural Development

*Editor's Note: Duffey was editor of "Farmer Cooperatives" magazine from 1981 until 1992, when he switched to editing USDA's special cooperative reports. The winner of the Klinefelter Award — the industry's highest honor for cooperative communicators — he returned to the editor's chair to produce this special issue of the magazine.*

The spring of 1999 marks the 65th anniversary of USDA's journal for cooperatives. The monthly "News for Farmer Cooperatives," the forerunner of today's bimonthly "Rural Cooperatives" magazine, was first published by the coopera-

tive research and service division of the Farm Credit Administration, then an agency of the U.S. Department of Agriculture. The nation and its agricultural sector were emerging from the Great Depression when USDA introduced this magazine to help spread knowledge about farmer-owned cooperatives and what was required to make a success of them.

It appeared quietly, with little fanfare in April 1934. Although initially limited in circulation, word of its existence spread and demand for copies grew. The original issues were just 12 typewritten pages.

Like any publication with an extended life, the content, style and even the name of the magazine evolved over the years to suit the conditions of its day. In December 1953, FCA separated from USDA and became an independent regulatory and farm credit system promotion agency. USDA's Farmer Cooperative Service was formed at the same time, and assumed responsibility for the magazine, the name of which was shortened to "Farmer Cooperatives."

In its 65-year span, the publication has had 10 editors. The third one, the late W. Gifford ("Giff") Hoag, later went on to become executive assistant to E.A. Jaenke, then governor of the FCA. In a book he wrote about FCA/FCS, Hoag, who served the agency for 41 years, recalled, "It's amazing that the one-year-old FCA could find time to launch a new educational publication. It was trying to help the Federal Land Banks (FLBs) handle thousands of loan applications. The banks had closed \$27 million in loans in one day that year, more than the entire year 1932. FCA was launching 600 local Production Credit Associations (PCAs) and the 13 Banks for Cooperatives. Usually, in times of stress in cooperatives, educational and informational programs are the first to feel the pinch."

Hoag continued, "A year later, President Franklin Roosevelt closed all commercial banks. The bank holiday lasted



Upon his retirement as governor of the Farm Credit Administration, E.A. Jaenke, left, is congratulated by "Giff" Hoag, his executive assistant and long-time editor of this journal.

several days. In succeeding months, the president asked any farm family whose farm was being foreclosed to wire him. Wires and letters inundated the FCA and the Federal Land Banks.” The ensuing flood of communications from farmers took a three-shift stenographers’ pool to handle, he said. “Creditors were being asked to delay foreclosures until the FLBs could try to refinance (loans). FCA recruited hundreds of people and expanded its appraisal staff from 200 to more than 5,000 in less than a year.”

Many cooperatives failed and countless others were struggling financially. “The Banks for Cooperatives were being staffed to meet the challenge,” Hoag said. The organization of PCAs across the country had been completed, thus giving farmers access to operating money for the year.

Hoag joined discussions with Cooperative Commissioner Frank Peck and Information and Extension Director Ed Reid when they agreed to develop a monthly publication as an important part in communicating with farm supply and marketing cooperatives. At first, there were no photos in the magazine, although an occasional graph was used to illustrate research. Within two years, “News for Farmer Cooperatives” was being printed in a slick magazine format, began using black-and-white photographs and often ran more than 20 pages per issue.

During the editorship of the late Ms. Beryle Stanton, who worked with both Val Sherman and Hoag in FCA during World War II, more visuals, including cartoons, came into use to illustrate ideas. She encouraged many people from the cooperative community to write articles for her. From the beginning, articles were published about the agency’s useful research projects, “but (we) avoided making the magazine only a house organ,” Hoag said. The magazine became an instrument for promoting practices that improved cooperative operations.

Ms. Stanton had the longest tenure of



*USDA magazine editor Beryle Stanton was credited for carrying the banner for the first National Cooperative Month observance.*

any of the editors — 21 years, from 1950 to 1971— and had worked on it with Hoag in FCA six years before that. In 1964, she began carrying the banner for the first national observance of “October is Cooperative Month. ‘She saw the swift changes cooperatives had to make “as they faced hot and cold wars in the mid-century era, struggled to survive post-war depressions, grew through relative prosperity, geared up for swiftly emerging new technologies and management practices, and adapted to the fast changing and modernized agriculture.”

People working with cooperatives also changed during this time. At first, cooperative directors were typically small farm operators with a limited education. By the late 1960s, many, if not most, co-op directors were well educated and managed large farm operations, which gave them an expanded perspective in making decisions on cooperative boards.

“Cooperative employees also adapted to new agricultural and industrial demands. Women, young farm couples, and youth emerged as stronger voices and more interested participants in cooperatives.” Stanton felt cooperative people

were “a different breed, more giving, and more sophisticated than they used to be, but they still have that same spirit.”

In a final magazine article before FCA’s exit from the USDA in December 1953, FCS Governor C. R. Arnold said the magazine “is an effective means of helping to coordinate the work of all cooperatives in the country — credit as well as purchasing, marketing and service organizations. Farmer cooperatives throughout the country profit from its published results on current research related to farmer cooperatives, information based on experience of all kinds of farmer cooperatives, and general educational material on basic cooperative principles and problems.”

Gene Ingalsbe was the fifth editor and, like his successors, he came from a newspaper background and later worked as communication specialist for major cooperatives. He spent eight years as managing editor of “Farmland News” for Farmland Industries Inc., and two years editing an agricultural trade magazine before joining USDA. For a time, he was both magazine editor and director of information. He bridged the gap between the

early years of the Farmer Cooperative Service and later Agricultural Cooperative Service. He brought modern journalism practices and a professional touch to the magazine.

Patrick Duffey edited the magazine from 1981 to 1993 after spending an earlier 12 years as publicity director and magazine editor with GROWMARK, Inc., at Bloomington, Ill. Near the end of his tenure, the magazine made the leap to

four-color reproduction. His successor, Dan Campbell, came to USDA after working for newspapers and as an editor with the Blue Diamond Growers almond cooperative in California. He continued to emphasize quality photography and in-depth feature articles. About this time the name of the magazine was changed to "Rural Cooperatives" to reflect the inclusion of articles dealing with all types of rural cooperatives, although the emphasis

has remained on agricultural co-ops. Campbell was later named deputy director of public affairs for USDA's Rural Development mission area.

While editors have come and gone and the look and content of the magazine continues to evolve, the magazine's goal remains much the same as when founded: to promote the use of cooperatives by rural Americans as an effective way to improve their quality of life. ■



*April Tyler instructs students in a one-room school house on Smith Island, Md., where a crab meat-packaging co-op was formed by local women. The school has since closed, but the co-op continues to thrive. Background image: a notice calls members to the next meeting of the Smith Island Crab Meat Co-op. USDA Photos by Bob Nichols*

There will  
be a Co-Op  
Meeting, Tues.  
evening at 7:00<sup>PM</sup>  
at the Church  
Basement. Please  
attend.



## Cooperatives Help Farmers Survive the Great Depression, Position Themselves for New Marketing Opportunities



Unloading 1,500 bushels of wheat from a box car only took five to seven minutes and the service of two men at a major co-op terminal in the early 1930s, thanks to up-to-date unloading equipment.

### Cooperative Purchasing Comes of Age

Census figures and other data reveal that cooperative farm supply purchasing has skyrocketed from \$75.9 million in 1924 to an estimated \$250 million in 1934. Dr. Joseph Knapp, principal agricultural economist in the Farm Credit Administration, says the most striking development has been the spread of purchasing to almost all parts of the United States. "Cooperative purchasing of farm supplies is now an important farm activity in as many as 8,000 communities," says Knapp. The door was opened for rapid expansion of cooperative business activity by the Cooperative Marketing Act of 1926. It was opened still wider by the Farm Credit Acts of 1933 and 1935. This legislation "recognized the increasing importance of cooperative purchasing by providing equal financial services to farmers' marketing, purchasing and service associations."

Knapp also notes that there has been

rapid growth in large-scale purchasing cooperatives. In 1925, for instance, farmers purchased \$6 million in supplies from Eastern States Farmers' Exchange in New York. The amount increased to \$14 million a decade later. Likewise, farm supply purchases increased from \$6.6 million to \$25 million for Grange League Federation in New York. Illinois Farm Supply Co., which didn't even exist in 1926, did \$10 million in farm supply sales in 1935. Other new farm supply co-ops developed during the previous 10 years include: Midland Cooperative Wholesale in Minnesota; Farmers' Union Central Exchange, Minnesota; Cotton Producers Association, Georgia; North Carolina Farmers Cooperative Exchange; Consumers Cooperative Association, Kansas; and National Cooperatives Inc., an Ohio-based interregional cooperative serving 25 regional co-ops. Land O'Lakes Creameries, Minnesota, also emerged during this time as a significant regional dairy marketer.

The increasing use of motor-driven equipment by farmers gave rise to petroleum cooperatives starting in 1921. Their growth has been particularly dramatic in the Midwest, fueled by the extensive use of tractors, trucks and other motorized implements. By 1935, about 2,000 associations supplied petroleum products valued at \$40 million. This period also marked the development of regional or statewide wholesale federations of local fuel cooperatives.

Large petroleum associations are blending their own brands of oil in cooperatively owned plants. Standardized systems of local distribution have been developed by large-scale centralized cooperatives such as Southern States Cooperative in Virginia. Cooperative manufacturing of supplies — feed, fertilizer, insecticides, package materials, and paint — has also gained prominence. The State Farm Bureau cooperatives in Illinois, Indiana, Michigan and Ohio share in the profits of a company manufacturing fertilizer for them. West Coast marketing cooperatives are often using subsidiary companies or departments to purchase supplies.

### Farmers, Co-ops Rebuild After Depression

W.I. Myers, governor of the Farm Credit Administration, is encouraging farmers — whose economic condition has improved in the past two years — to turn their attention to strengthening their cooperative organizations. This is vital, he says, because marketing farm commodities and purchasing "are as much a part of farming as producing crops and livestock products. In case of weakly financed cooperatives, a plan should be established which will gradually build on members' contribution to the co-op, thus increasing the net worth that is essential for the continued success of the cooperative and its members.

"We want to build cooperatives that

belong to members and construct cooperatives on a financial basis that gives a continually increasing proportion of member-ownership," Myers says. The only way to build up net worth, he notes, is through member contributions or earnings. "Many members of cooperative have debts and they have to be financed."

Cooperatives would be better off, Myers says, if members turn to Federal Land Banks for mortgage credit and Production Credit Association for production credit.

"With several hundred thousand farmers keeping their hands on the control of the farm credit system, there will be a far greater degree of success for cooperative credit and a far greater degree of service to farmer-borrowers throughout the country than at any time in the past.

"Farm land associations best withstood the Depression and operated at a lower cost basis in districts that had been developed into strong cooperative organizations and were used to not only making loans, but to service and collect loans."

### FCA Introduces Co-op Statistical Report

A supplemental statistical overview of agricultural cooperatives — started by R. H. Ellsworth, agricultural economist with the Farm Credit Administration — made its first appearance in 1935. This report set the pattern for future annual reports on the state of the nation's farmer cooperatives for the rest of the century. The number of active associations at the close of 1935-36 was 10,500, with 69 percent of them located in the 12 north-central states and 8 percent operating in western states. Minnesota lead the nation with 1,401 associations, followed by Wisconsin with 1,086, and Iowa with 954. About 69 percent of the estimated membership of 3.66 million participated in marketing cooperatives and the balance in farm supply co-ops. Total business volume of the associations topped \$1.8 bil-



*This cartoon took a light-hearted look at the difficulty some co-ops have getting enough board members to attend meetings to constitute a quorum. The best way to avoid this situation: keep meetings educational and encourage director input.*

lion, 86 percent of it conducted by marketing cooperatives. The top business volume states were California, Illinois, Minnesota and Iowa.

### Retains Build Cooperative Business

"Most cooperative failures result from a lack of a thorough understanding that a cooperative marketing organization is a business institution and should be regarded as such," says Cooperative Bank Commissioner S.D. Sanders. "Many associations have gone under because members were demanding too much cash — cash that management needed to market their products. Members have deserted [their co-op] to get better prices outside," he says.

As a solution, Sanders recommends the board and management use retains or stock ownership in the cooperative to stress to members the stake they have in their business association. "Let the members know how much is being taken off [prices] and give them a stock certificate to show their ownership in the association. In time, they will see that it is a savings account for members and they will take a greater interest in the cooperative."

Stressing that farmers are more dependent than many think, Sanders says, "They can produce until they are blue in the face, but until they bring some of the pluses (from marketing) to their side of the ledger, they will not get as large a part of the consumer's dollar as is possible from their crops."

Some cooperatives operating with nei-

ther advance member capital nor retains from the businesses, Sanders says, were forced to forego profits during the Depression. These co-ops even endangered their capital structure to hold a sufficient volume of business to warrant continued operation. Contrasting with these businesses were associations that built up sufficient reserves through regular retains and annually retired the oldest stock by the new investments generated through member retains. This type of cooperative, with annual distributions, helped underwrite the financial success of member farms, Sanders says.

### Illinois Farm Supply System Reports Rapid Growth

More than \$10 million in farm supplies were sold in 1935 by 60 locally owned service companies associated with Illinois Farm Supply Company, up by about 25 percent from 1934. The bulk of the sales were petroleum products, which generated \$1.4 million for Illinois from gasoline and sales taxes.

About 68-million gallons of petroleum products — including gasoline, kerosene, distillate, lubricating oil and grease — were sold by member co-ops in 1935. Sales of soyoil paint jumped 65 percent, to 175,000 gallons. Farmers' investment in the 60 companies reached \$981,595. They had a combined accumulated surplus of almost \$1.2 million for use as working capital.

Nearly half of the companies operated service stations for petroleum products. Three-fourths of the business in 1934 was with 80 percent of the members. Each company set aside part of its earnings for working capital purposes. Cash dividends to members totaled \$805,000.

### Co-op Activity Surges in Texas

Texas cooperative activity was on the upswing in 1935, reports the Houston



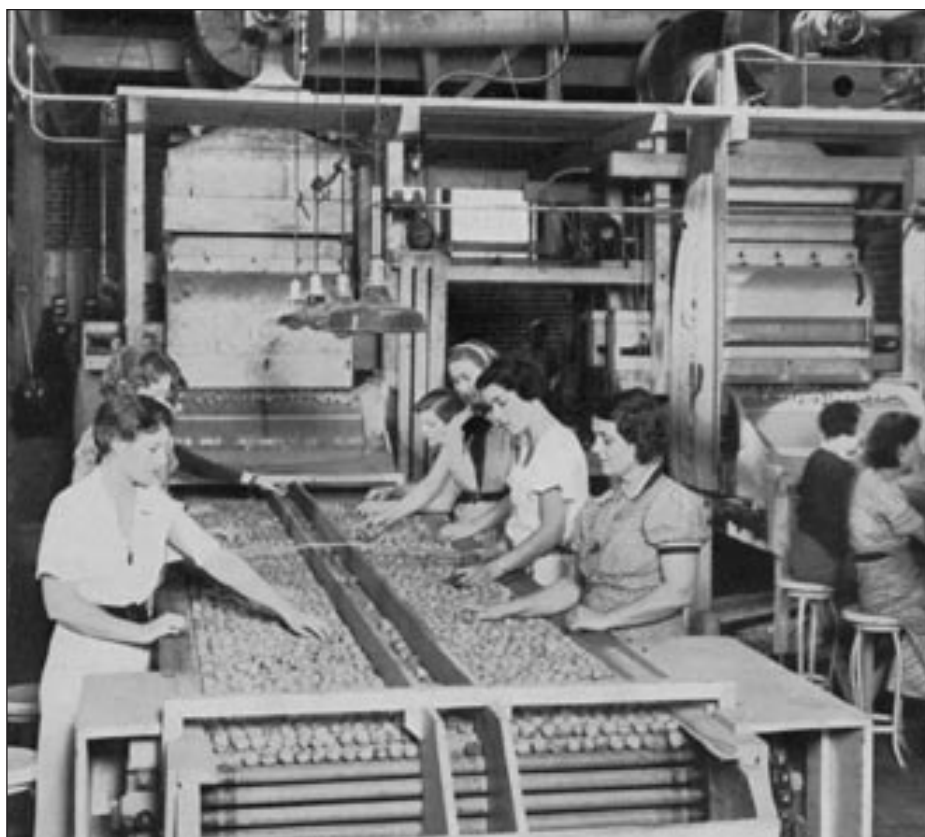
*A mother taking part in the cooperative teaches her children about its importance in the family's financial and social future. This, in turn, helps them become better future citizens.*

Bank for Cooperatives. Cotton farmers led the way by organizing new cooperative cotton gins. Bank President Sterling Evans says the move toward cooperation was so strong that 75 new co-ops were formed in 1934-35 despite earlier cotton crop failures. The crop rebounded in 1935. The state's 150 cooperatives have a total membership of nearly 30,000 members.

### Walnut Growers Market 50 Million Pounds

California's Walnut Growers Association markets 50 million pounds of walnuts valued at \$8 million for its 39 member associations. This accounts for about 87 percent of the state's total walnut crop.

Shelled walnuts are being sold on the export market while unshelled nuts are primarily sold for domestic consumption. Most of the business is being transacted by mail and wire. Sales were made direct to wholesale grocers, chain stores and the wholesale produce trade through a group of 128 food brokers. Most of these brokers have been with the association since its formation. While trade outlets had been well established in Canada, new ones were being developed for northern Europe.



*Walnuts are sorted at the California Walnut Growers Association, which marketed 50 million pounds of walnuts for its 39 member associations in the mid-1930s. That was equal to about 87 percent of California's tonnage.*

### National Markets Developing for Wool Associations

Of the 13 major state or regional fleece-wool associations — including five formed in 1938 — all (with the exception of one based in Ohio) belong to the National Wool Marketing Corporation, headquartered in Boston. The bulk of fleece wool is processed within a 400-mile radius of Boston. The association is owned and controlled by the local wool cooperative associations. All of these co-ops are providing financing, marketing and educational services to members.

The average flock in the East and Midwest is currently about 50 head. Associations handling one- to two-million pounds of wool are grading in car-lot quantities, as preferred by manufacturers. Most associations are offering tours to growers, led by county agents and extension workers, to better acquaint them with how their wool is graded and handled.

Local marketing pools are proving to be advantageous to farmers and stockmen with small herds who operate near irrigation projects in southern Idaho. Most of the growth has occurred since 1930. Changes in agricultural production methods in the past decade caused by low prices, reduced yields and unsatisfactory market outlets for cash crops have led to increased livestock feeding and production.

### Loans to Water Mutuals Grow

Serving the credit needs of California farmers' water mutual companies is fast becoming an important part of business for the Berkeley Bank for Cooperatives. The bank's first such loan in 1935 was soon followed by 10 others, totaling \$1.2 million. The figure was expected to reach \$3 million by year's end after some companies reorganized as cooperatives.

### Co-op Financing Climbs

Cooperative institutions loaned farmers \$119 million during the first half of 1936,



or more than a third of the \$343 million loaned by the Farm Credit Administration. The 550 associations had a 21-percent increase in business compared with 1935. This was the third consecutive increase in spring crop and livestock financing since the organizations formed in 1933-34.

### Trucking Livestock on the Rise

Drive-in business is speeding ahead for the Central Cooperative Association livestock sales agency in South St. Paul, Minn. Increased truck transportation resulted in drive-in business jumping from 17 percent of total business in 1929 to 59 percent in 1935. Given the growth in livestock trucking, local shipping associations which rely on railroads are almost extinct. In 1935, 83 percent of the livestock receipts from Minnesota and Wisconsin arrived at St. Paul by truck.

About 60 percent of the 200 livestock associations shipping to Equity Cooperative Livestock Sales Association at Milwaukee, Wis., are moving their livestock by truck, causing the gradual disappearance of shipping associations. Twenty years earlier, nearly all livestock destined for Milwaukee was moved by rail.

### Developing Tomorrow's Cooperators

"Get them involved in the movement financially," is Oklahoma banker M.H. Howard's suggestion for involving youth in cooperatives. Howard, who manages Farmers National Bank in Enid, Okl., says "If people can't be interested in a project in which they have money invested, then they can't be interested at all." Howard says there is too much preaching at young people "instead of giving them a chance to participate actively in the program on a par with the grownups."

Howard suggests wheat producers give their children an allotment of acres from which the crop would be marketed

through a cooperative elevator in which their parents own stock. The elevators would sell a share to these youngsters. One or two of these youths in every community would be named directors at large on the board.

"There is no more sobering and with-sharpening experience...than to match minds with thinking men on the board." And dads bringing their children to the annual meeting would get and keep them interested, he said.

### Co-ops Need Emergency Reserves

Even though patronage refunds help build volume and hold member interest, "You can't build successful cooperatives by appealing to producers with an unsound, inadvisable business action," cautions S.D. Sanders, cooperative bank commissioner. "Failure to build up sufficient surplus and reserve is one of the frequent causes of financial stress among cooperatives." The reserve must be large enough to enable the cooperative to meet unforeseen circumstances.

"Every association is subject to emergencies when some reserve cash is badly needed to tide the organization over a difficult period." Despite pressure on management and directors to disburse surplus funds, in order to survive, an association's financial structure must be placed on a sound basis. Members and management must understand the financial needs of the association, he says.

### Co-op Livestock Marketing Gains in West

Cooperative livestock marketing is gaining a foothold in the western states that produce a large surplus of cattle and sheep. Leading the way is the Farmers Union Livestock Co. in Denver. Cooperative development has been slower in the "range states" of the West than in the Midwest or East, but the trend began to



This cartoon illustrated a 1939 magazine article about the increasing interest of women in the business side of farming and in attending the annual meetings.

increase in the West after 1930.

By 1936, 10 large livestock associations were operating nationally. Between 1931 and 1935, the volume they handled more than doubled, to 2.2 million head. These cooperatives have reduced profits skimmed off by speculators and reduced unnecessary handling costs in moving feeder cattle and lambs direct from range to feedlots.

### Fruit, Vegetable Co-ops Gaining

Sales, excluding supplies, for 1,063 fruit and vegetable marketing associations serving 166,000 growers reached nearly \$200 million during the 1935-36 season. About 83 percent of that amount was handled by fruit cooperatives. Among the major problems they face are: private fruit marketing businesses are gaining control of crop share offering production loans to growers; greater use of trucks to transport crops is making it more difficult to gauge the quantity of a commodity moving to market; some truckers are also becoming itinerant salesmen; concentration of bargaining power by chain stores is presenting a challenge and opportunity best met by concentrated selling.

### FCX Formed in North Carolina

Farmers Cooperative Exchange (FCX), formed in 1934 as North Carolina's statewide marketing and farm supply cooperative, now has three separately



incorporated departments: FCX Seed Service, FCX Fruit and Vegetable Service, and FCX Poultry Service. Each has to be self supporting. The 13-member FC board represents growers, state agricultural institutions and the State Grange and Farm Bureau.

Producers Mutual Exchange, an earlier attempt to federate about 75 local mutual exchanges, failed for lack of capital and trained management and merged with FCX. Those exchanges and FCX branches serving 22 of the state's 100 counties continued operations. In an agreement with Virginia's Southern States Cooperative (SSC), which had been operating in part of North Carolina, FCX will handle the marketing program and provide wholesale and retail farm supplies. SSC provides manufactured goods, such as fertilizer, feed, and seed. Three SSC directors also serve on the FCX board. Directors have agreed to pay half of the annual savings in stock and the rest in cash.

### Cottonseed Co-ops Open in Cotton Belt

The five cooperative cottonseed oil mills operating in the Cotton Belt crushed

about 100,000 tons of seed in 1937, double their 1936 crush. Plains Cooperative Oil Mill in Lubbock, Texas, and Delta Products Co. in Wilson, Ark., have just begun operating. Assets of all these cooperatives total nearly \$1 million.

Most of these co-ops incorporated under their state's laws. Members and non-members are treated alike in the annual distribution of savings. Nearly all the voting stock is held by members. Stock dividends are limited to 8 percent. Member equity in the five mills is almost \$700,000, or almost three-fourths of the total investment. The cooperatives serve nearly 2,000 members.

### First Co-op Refinery Opens in Kansas

The first cooperative-owned oil refinery opened in 1939 at Phillipsburg, Kan., by National Cooperative Refinery Association, a subsidiary of Consumers Cooperative Association (CCA), based in Kansas City. A 70-mile pipeline connects the refinery with oil fields. The \$700,000 plant uses 3,000 barrels of crude oil per day, or the daily equivalent of 11 railroad-car loads of refined fuels.

The refinery supplies 40 percent of the

refined fuel needs of 440 local cooperative members of CCA located in nine states. In 1938, the locals marketed more than 6,000 carloads of gasoline, kerosene, tractor fuel and distillate. And during a 1939 membership drive, CCA added 69 more local cooperatives with 2,498 members.

### 'Coffee's On Us,' Co-op Tells Patrons

There is no shortage of good will toward patrons of Farmers Cooperative Company at Oneida, Ill. For the donut dunkers, Manager Leo Windish had the answer: free coffee at a local restaurant. Oneida's population — primarily people of Scandinavian descent — enjoy their coffee, he says.

Windish says it was the best promotion the cooperative ever had. He feels little things that humanize the cooperative are just as important as following sound business practices, such as posting livestock receipts and prices at the office — even though the cooperative handles no livestock. A dozen phone calls still come in every morning about the postings. Periodically, patrons receive a small token gift from the cooperative, such as a key ring or pencil.

### How To Appraise Your Co-op

Whether sizing up a dairy cow, farm tractor or automobile, the principles for appraising are similar to those needed to appraise your cooperative. These nine factors were suggested by J.E. Wells, Jr.,

*These illustrations promoted an easy way to pay off a farm mortgage by using 4 percent Federal Land Bank loans, repayable in small regular installments suited to the individual farmer's income. Producers were encouraged to plan ahead on what crops or livestock to sell to meet payments, to set up an interest-paying reserve to protect them from the drought or insects, and to get out of debt sooner by paying more on the mortgage than required in good years.*



deputy cooperative bank commissioner of the Farm Credit Association: Is there an economic need for the co-op?; Is the management good?; Are the association's membership relations satisfactory?; Are the operating policies strong?; Are the directors qualified for their jobs?; Is the association's financial condition satisfactory?; Do past history and present conditions point toward successful future operations?; Is the business volume satisfactory?; Can the cooperative meet or overcome competition?

### Michigan Builds Local Co-ops

Since 1931, the number of member associations in Michigan has multiplied tenfold. By 1938, about 40,000 Michigan farmers were using the services of 139 local cooperatives affiliated with Michigan Farm Bureau Services, the state wholesale farm supply cooperative and its 10 branch retail farm supply stores. Sales for fiscal 1938 reached \$2.8 million, plus \$800,000 from the retail stores.

Among the members and branches are farm supply associations, cooperative elevators, and cooperative oil associations. The locals mix much of the feed they sell from ingredients obtained for state associations which purchase supplies from two interregional cooperatives: United Cooperatives and National Cooperatives.

### Challenge's Silver Fleet Serves L.A. Dairy Market

California's Challenge Cream and Butter Association was formed in 1910 in Los Angeles by a small group of dairymen renting a basement storeroom. They put a horse-drawn delivery vehicle on the streets as a "challenge" to butter marketing interests. Today, in 1939, it operates a "silver fleet" of 225 streamlined trucks working out of a dozen modern warehouses. Deliveries of dairy products are valued at \$20 million annually.

The organization, owned by 23,000 farmers through 23 local creamery cooperatives, handles 70 percent of the Los Angeles market and a substantial part of the San Francisco market. Since 1922, it has used a revolving capital retains plan to finance facilities. By fiscal 1938, nearly \$2.2 million had been retained. By Dec. 31, 1938, the cooperative had paid dividends of \$1 million and held stock certificates totaling \$1.2 million.

Challenge has had consistent growth. Butter production, its main line, was 4.5 million pounds in 1920. By 1938 its butter production has jumped to 41.5 million pounds. By then, it was also producing cheese, butterfat in cream and milk, sweetened condensed milk, powdered milk, whey powder, casein, cottage cheese, evaporated milk, condensed skim milk, and 2 million dozen eggs. Challenge also processes and packages dairy products, including bottled pasteurized milk for dis-

tribution on wholesale routes in Los Angeles and Oakland, and processed cheese. An ice cream business was the latest addition to the product line.

### Pecan Pies, from Georgia to D.C.

The 1,000 grower-members of the National Pecan Growers Exchange at Albany, Ga., produced 1 million pounds of paper-shell pecans in 1939, enough to make a line of pies stretching from Atlanta to Washington, D.C. Almost since its inception in 1915, the exchange has been trying to devise better ways to prepare nuts for the market. It used its plant as a laboratory for testing ideas to catch the consumer's eye. In the early 1930s, the exchange developed a method of bleaching and dyeing nuts. By 1938, it began stamping each nut with the exchange's trademark and, by 1939, nearly all of the fall and winter nuts were branded. Even the equipment was trademarked. Most pecans were marketed in the East and Midwest.

The organization operates on a "pool" basis. After nuts are graded according to size and variety, each grower receives an advance payment according to the grade and size delivered. After nuts are marketed, final payment to members is based on the quantity and quality of nuts in the particular "pool" which contained the grower's pecans. Most of the co-op's members farm in Georgia and Florida. ■



## Co-ops Help Supply U.S. War Effort; Modernize Operations Rapidly During Post-War Era

### Co-ops Help Expand Wartime Food Supply

Some grain cooperatives, anticipating the shortage of storage space brought on by World War II, start expanding capacity. But with harvest season approaching, some plants stand idle for want of motors, copper wire and other supplies needed for the war effort. Wheat is spoiling in North Dakota and Montana fields for lack of storage space.

Ezra Taft Benson, executive secretary of the National Council of Farmer Cooperatives, encourages representatives of

farm supply and marketing cooperatives and major farm organizations to form a National Committee for Farm Production Supplies. It handles matters related to agriculture and works with government agencies to assure availability of supplies needed for USDA's Food for Freedom program. This effort involves a major increase in food production from American farms to support the war effort.

### Cooperative Business Tops \$2 Billion

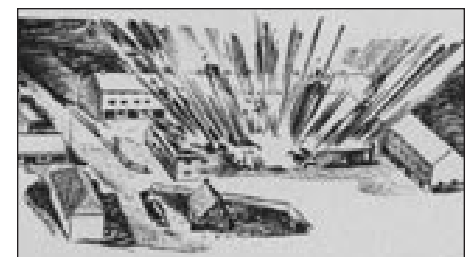
USDA data shows that 15,000 cooperatives were operating in the United States

in the mid-1930s, 295 of which were doing \$1 million in business annually while 34 did \$10 million in business. Collectively, cooperative business in the United States exceeded \$2 billion annually. Co-ops count 3 million members and derive patronage from at least another 1.5 million others. This means that 62 percent of cooperative patrons are members. And only 85 percent of the members are patrons. The challenge, a University of Minnesota extension economist says, is to "convince farmers of cooperative benefits."

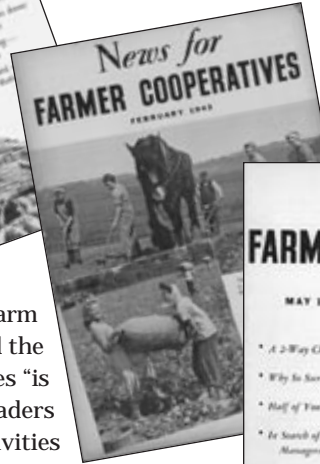
The solution, he says, lies within the cooperative and how well directors know their local operations. Do they depend entirely on the manager, or are directors active in formulating co-op policy? How well do they keep advised of changes in their particular industry and how readily do they adjust to changes? Do they know directors from a neighboring cooperative engaged in the same business? Do cooperatives of a county work together, or are they suspicious of one another? Would acquaintance and confidence result in closer cooperation?



These illustrations and photos depict various wartime activities. Above right, Rutherford County (Tenn.) Cooperative Creamery loads cheese for the War Department and promotes war bonds with the artwork on its truck. Lower right: U.S. cooperatives escaped war damage, unlike this Irish co-op that was hit in a 1940 German bombing raid; Above: Uncle Sam pulls the railroad right-of-way levers for accelerated shipment of hogs, beef cattle and sheep supplies needed for the war effort.







### Dairy Co-op Becomes Part of Curriculum

A practical experiment begins in 1940 by Virginia vocational agricultural instructors who are using a local cooperative to supplement an ag marketing course. Their study and tour of Valley of Virginia Cooperative Milk Producers puts zest and interest into classes. Discussions with co-op Manager D.E. Shank brings new life to textbook concepts of cooperatives.

according to A.G. Black, acting governor of the Farm Credit Administration. He said the field for nationwide cooperatives "is still an open question; some leaders doubt whether cooperative activities can be successful on a nationwide basis at this time. Others think there may be a place for nationwide cooperatives, but they must be organized and operated somewhat differently than some of those that have been tried in the past. No national marketing program can be developed without giving proper consideration to others in the field. I expect it to be a long time before cooperatives can handle all of a given product from the producer to the consumer."

### Auctions Market More Livestock

The increase in livestock sold at local auctions attest to the growing trend toward decentralized marketing of livestock. A 1937 Farm Credit Administration survey shows 1,300 auctions operating in 37 states, with 67 percent operating in the Corn Belt. More than 4.6 million head were marketed. Livestock volume peaked from 1934 to 1937 and business volume averaged more than \$555,000 per year. Marketings in all classes of livestock increased, except for hogs, which were in sharply reduced supply.

### Role of Nationwide Cooperatives Debated

The cooperative movement that has taken hold in the United States during the past 20 years or more will continue to develop,

*Magazine covers from the 1940s depicted themes such as co-ops vs. private handlers, tobacco and poultry marketing cooperatives and the growing use of women in farm production.*

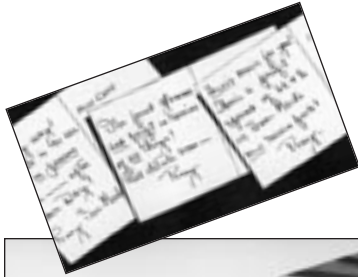


*Trucks hauled logs for the new Doddridge County (W. Va.) Timber Marketing Association to a railyard for loading into boxcars.*



*Irene Bliss was the first woman to replace a man as a truck driver for the GLF Cooperative at Ft. Plain, N.Y.*





*Penny-pack raisins were introduced to grocers and wholesalers by periodic promotional post cards and letters devised by Sun-Maid Growers of California. The mini boxes were also used as change for consumer food stamp program purchases.*

### Florida Co-op Council Formed

Representatives of 50 Florida cooperatives have voted to form a Florida Cooperative Council to act as the official coordinating and policy-forming agency representing the various agricultural organizations, state agricultural institutions and grower cooperatives. The council deals with legislative matters related to farm cooperatives, education, organization, research and other matters affecting cooperative development.

### Message for Younger Cooperators

A sign in front of Litchfield (Minn.) Creamery Co. not only identifies it as a "cooperative owned by farmers and best market for your milk and cream," but also addresses young farmers. "Your fathers built and supported this creamery. Carry

on their good work through your patronage." Manager Emil Oman says the sign reminds the younger generation of "what older folks were up against when the co-op was formed in 1903. To that generation, the cooperative spirit which made possible this brick and masonry was almost a religion."

### Farm Electrification Expands

In 1940, about one-fourth of all farms are receiving high-line electrical service via programs of USDA's Rural Electrification Administration (REA). Nationwide, about 700 local power projects received REA loans. Nearly 300 were in southern states. These projects were providing electricity for the first time to one-half million farms. Another 1.1 million were slated for electrical service via REA projects under construction. About 90 percent of the systems are cooperatives.



*MFA at Columbia, Mo., packed its poultry mashes in cotton color-fast bags in a variety of patterns so they could be used in quilts, comforters, bedspreads, dresses, pajamas, pillow cases, men's shirts and aprons.*



*Californian Fruit Growers Exchange used a "sectionizer" to promote Sunkist lemons.*

## Farm Mortgage Loans 'Paid in Full'

Since its formation, the Farm Credit Administration (FCA) has written "paid in full" on 100,000 farm mortgage loans — more than half of which were made since 1933. Half of these farmers repaid their debt by the late 1930s. FCA officials say that despite repeated drought and low prices in some Midwest states, farmers are making faster progress in repaying these loans than at any time in the history of the program.

## Florida Celery Co-op Small But Stable

Although small in membership — it had only 12 members when it organized in 1930 and 15 a decade later — the Standard Growers Association from Seminole County in Florida is going strong as a celery marketing co-op. From January through May, more than 500 carloads of celery make the trip from the field, through the washer and pre-cooler and



A



B

into refrigerated cars for the trip to northern markets. Sales by 1939 reached about \$125,000.

## Hoosiers Buy Federated Co-op Way

Indiana farmers have made substantial progress to improve their purchasing power by developing a federated system of local farm supply cooperatives affiliated with the State Farm Bureau. The Indiana Farm Bureau Cooperative Association was incorporated in 1925. By 1939, the association's 60,000 members represented about 30 percent of all Indiana farmers. An equal number were in the process of becoming members. Business volume in 1937 amounted to \$14.5 million, one-third of sales derived from petroleum products and one-fifth from feed sales. By 1938, it began making deliveries to the locals in its own trucks. Soon after,



C



D



E

it began to manufacture fertilizer in a 40,000-ton mixing plant at Indianapolis and opened a 2,500-barrel-a-day petroleum refinery at Mt. Vernon.



F



G

(A) Cans of milk are delivered to Consumer-Farmer Milk Cooperative's processing plant at Belle Meade, N.J.

(B) Flower-grower members of Greenhouse Flower cooperative in New York City worked together to set the pace of their industry.

(C) The Litchfield (Minn.) Dairy reminded young farmers of the sacrifices their dads made to build the cooperative.

(D) Farm labor associations in New York built camps such as this to house foreign workers.

(E) Livestock shipping associations, such as this one in Kansas City, had a resurgence in popularity as transportation shifted from rail to trucks.

(F) Developments in transportation, refrigeration and mass buying prompted fruit and vegetable marketing cooperatives to improve handling procedures to assure product quality.

(G) Cotton samples are checked at North Carolina Cotton Growers Cooperative Marketing Association. Growers could earn more for better quality if they sold on the basis of grade and staple, instead of the then-industry standard of "before or after rain."

## Co-op Fertilizer Business Advances

In 1923, the Federal Trade Commission recommended farmers lower farm production costs by using cooperatives to buy fertilizer. Fifteen years later, the Ohio Farm Bureau Cooperative Association joined with Grange League Federation cooperatives of New York to purchase an 80,000-ton fertilizer factory at Baltimore. The \$350,000 facility manufac-

tured low-cost super-phosphate. Construction soon began on Farm Bureau mixing plants at convenient transportation centers in Ohio to help reduce freight rates, which made up nearly 40 percent of the fertilizer cost paid by farmers. The goal was to improve both the supply and quality of the fertilizers at reduced prices and cut the number of analyses. A 20,000-ton mixing plant and warehouse costing \$125,000 was added near Cincinnati in a joint venture of Indiana and Ohio Farm Bureau cooperatives. The Ohio association supplies 15 percent of the fertilizer used in the state. Ohio farmers in the early 1940s are spending \$10 million annually on commercial fertilizers.

Boise Valley, Idaho, has also paid off its loan thanks to the \$500,000 members invested in their cooperatives during its first 15 years. The business has a net worth of almost \$400,000. Achieving such goals took years of advanced planning, said Tom Stitts of the Farm Credit Administration.

## Phone Mutuals Serve 500,000

More than 30,000 mutual associations are providing telephone service on a cooperative basis to almost a half million farm homes. Some are large and operate complete telephone systems. Others are informal groups of farmers and rural people who have pooled their efforts and constructed neighborhood lines. In many instances, these cooperatively operated lines provide the only telephone service available in a community.

## Burning Mortgages Co-op Custom

California and Idaho cooperative members have been burning paid-off mortgages as a symbolic gesture to celebrate members gaining complete ownership of their facilities. Calavo Growers, a California avocado growers' cooperative, secured a 10-year loan in 1934 with the Berkeley Bank for Cooperatives. It repaid the loan in only six years and has now reached debt-free status. Dairymen's Cooperative Creamery Association of

## Co-op Traffic Departments Control Costs

With farmers spending millions of dollars annually on freight charges, cooperatives are finding traffic departments helpful in pruning unnecessary distribution costs and increasing savings for members. Five



Cartoons such as this were used in the magazine to promote good cooperative practices, such as encouraging members to attend and participate in annual meetings.





farm supply cooperatives in the north central states formed a joint transportation committee to discuss creating a mutual to deal collectively with transportation agencies. They are considering various ways to cut costs.

### Illinois Co-op Supplies Certified Seed

An Illinois cooperative first formed in 1925 and later reorganized as Producers Crop Improvement Association at Piper City, Ill., has certified the quality of the hybrid seed corn it produces or processes. With financing from the St. Louis Bank for Cooperatives, a modern seed plant has been built and sales of seed corn nearly tripled from 1938 to 1941. Certification is based in part on field inspection and checking for grade and disease. Germination tests are conducted for each bag of seed corn.

### Farmers' Cooperative Markets Popular

Public market cooperatives that sell farm produce are gaining in popularity in New York, Pennsylvania, Massachusetts and Rhode Island. In New Jersey, Patterson Market Growers Cooperative Association

is leaving its small, crowded facilities for a spacious building in a new farmers market. In New York's Albany-Troy market, Capital District Cooperative has built a new market on a 25-acre tract adjacent to a major highway and a railroad.

### War Prompts Changes in Co-op Operations

In response to World War II, cooperatives have tightened, expanded or consolidated operations — changes that some say were long overdue. The 860-member Ellsworth (Wisconsin) Cooperative Creamery has reversed a 25-year-old policy under which it produced more than 1.6 million pounds of butter for the New York and Chicago markets. It has now switched to producing nearly 10,000 pounds of edible milk powder in a new plant addition. North Central Kansas Cooperative Creamery added new vats to boost daily cheese production to 4,200 pounds.

Farm tractors and armored tank parts are moving off the assembly line at National Farm Machinery Cooperative at Shelbyville, Ind. In Louisiana, cooperative cane sugar mills are offering their facilities to crush sorghum to derive molasses for alcohol. A tung oil coopera-



*Challenge Cream and Butter Association at Los Angeles, Land O'Lakes at Minneapolis and Farm Credit Administration were among cooperatives using radio shows to promote their products*

tive in the South has arranged to crush peanuts to produce more oil. A California grain cooperative has remodeled truck bodies to handle more bulk grain and eliminate the need for bags. Eastern fertilizer cooperatives are turning to bulk shipments. Wool co-ops are considering use of cotton gin equipment to bale wool, cut use of burlap, and reduce the shipping space required by bags.

To conserve rubber and labor, dairy cooperatives are consolidating milk routes and cutting back to every-other-day deliveries. They are also improving co-op publications to keep members informed and





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thereby reducing the number of meetings and related travel. Some co-ops are promoting more store sales. More local co-ops have been formed for more efficient assembly and distribution of livestock, fruits and vegetables, poultry and eggs. Eaton (Georgia) Cooperative creamery is selling nearly half its 4,500-gallon daily milk volume to nearby U.S. Army bases. A cooperative formed in Brighton, Colo., is handling scrap iron for the entire county by collecting old machinery, which it dismantles, tags and stores.

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### Minnesota Cheese Exported to England

Nine Minnesota cooperative creameries operating in a 20-mile radius of Fairbault have temporarily diverted their whole milk supplies to the central cooperative to produce carloads of cheddar cheese eventually destined for England. All were too small to afford installation of needed vats for expanded cheese production which was providing better returns than butter. Local organizations have been kept intact for eventual operation on a peacetime basis.

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### Two Letters 'Create' Co-op

On the surface, it appeared to happen almost overnight. All it took was adding two letters to the corporate name to convert 10-year-old Rochester (Minnesota) Dairy Co. into Rochester Dairy Cooperative. The co-op is owned by more than 1,250 farmers. St. Paul Bank for Cooperatives developed the plan. The 140 producers supplying the original company and other area distributors were part of a dairy bargaining association. The conversion was brought on by the need to raise additional capital so the cooperative could expand operations, allowing it to handle 400,000 pounds of milk per day and produce up to 1,200 pounds of dried milk per hour.

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### Co-op Adds Machinery Service

To help members meet production goals, the Vermillion Farmers Cooperative Association in Louisiana — organized as a rice warehouse in 1920 — has added a machinery repair department, including a replacement parts operation. Members requiring repair service can bring farm machinery into a central plant or request a truck and repair crew to visit their farm. The repair service is generating about \$45,000 annually in sales, with savings returned to members at year-end, based on their use of the service.

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### Florida Orange Concentrate Bound for Yanks

Sixty boxcars of fresh citrus fruit a day are being processed by Florida Citrus Canners Cooperative at Lake Wales. About 40 of those boxcars of fruit are converted into 8,000 gallons of orange concentrate destined exclusively for the United States armed forces and their allies. Total volume of concentrate was expected to reach 800,000 gallons. When reconstituted on the basis of 7 gallons of water to a gallon of concentrate, it will produce 6.4 million gallons of juice with vitamins added. All will be shipped under the co-op's Donald Duck brand. Concentrate production has been boosted by the need to reduce shipping space. Concentrate requires only about one-eighth of what fresh fruit requires.

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### Indiana Co-ops Supply Wood to Save Steel

An Arkansas forest, logging equipment, trucks and two sawmills have been purchased by a subsidiary of Indiana Farm Bureau Cooperative Association. Its member cooperatives have developed a side business, supplying wood for farm buildings and equipment usually made of steel. Hog and brooder houses and feeders are

available in either ready-built or to-be-assembled form.

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### Co-op Becomes Major Grain Marketer

With the purchase of 135 country grain elevators and 35 lumber yards, Farmers Union Grain Terminal Association (GTA) at St. Paul, Minn., is now the nation's largest grain cooperative. The acquisition gives GTA 450 facilities it either owns or is affiliated with. Asset value of the new elevators exceeds \$2.7 million. Most are located on the Great Northern Railroad right-of-way in Minnesota, Iowa, the Dakotas, Nebraska or Montana. This region accounts for most of the nation's durum wheat production.

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### Co-op Dividends in New Milk Houses

Members of Wisconsin's Consolidated Badger Cooperative have received "improvement bonds" for their 1942 dividends. Rather than more dollars in their billfolds, they are earning a new milk house, cow clipper, an electric hot water heater or a milk house stove. The bonds can only be used to purchase either equipment or supplies that improve their farm milk-producing facilities, or Badger preferred stock. Directors believe the bonds will accomplish 10 years of milk quality improvements within only three years.

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### Forest Product Co-ops Blaze Trails

Although limited in number, forest product cooperatives are blazing new trails thanks to wartime needs and the economic value of farm woodlots. Otsego Forest Products Cooperative at Cooperstown, N.Y., has contributed 15 percent to the net income of dairy farms in the region. Farmers Federation in North Carolina effectively markets forest products as an additional service to members. Rock Cooperative in Michigan — formed in 1913 when mines in the area began closing —

saw business volume peak in 1930 at 2,000 carloads of lumber valued at \$265,000. But by 1943, its marketings produced only \$21,000. The cleared forest land is now devoted to income-producing crops and pasture. The cooperative increasingly provides farm supplies. The new Doddridge County Cooperative Timber Marketing Association in West Union, W. Va., had net receipts from forest products of \$30,000 during the first half of 1945. It plans to operate a sawmill.

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### Co-ops Should Anticipate Post-War Adjustments

Cooperatives will be challenged to improve their services in the face of the price and other adjustments during the post-war period, predicts O.B. Jensens, chief agricultural economist with the University of Minnesota. "Cooperatives are in the position to supply leadership in working for improvements and in holding in check unwise developments...Better grades and standards often are needed. Cooperatives can help here and be of service in locating new outlets and new uses for the products they handle."

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### Doing the 'Turkey Trot' at Ellsworth

Long after the "turkey trot" dance was popular, Central Cooperative Turkey Producers has been formed at Ellsworth, Iowa, and built a processing plant. It serves 50 producers within a seven-mile radius who market 4.5 million pounds of dressed turkey through their cooperative. Savings during the first two years of operations were enough to pay for the total cost of the building and equipment. Members received \$1.25 million for their birds in 1946, much of which was spent in the community. The cooperative chips in another \$40,000 annually in local operating expenses and nearly \$60,000 in employee wages.

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### Farm Organizations Back Locker Plants

With the backing of major farm organizations and regional cooperatives, locker plant associations are flourishing in many rural communities. Most were concentrated in Midwest, Pacific Northwest and Northeast states, plus Texas and Virginia. Seventy were associated with Land O'Lakes, 9 were promoted by Southern States, another 7 were organized, financed and operated by Farmers Federation of Asheville, N.C., and a few were under the umbrella of New York's Grange League Federation.

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### Fruit Growers Maintain Uniform Pack

Illinois Fruit Growers Exchange at Carbondale was formed by 15 packinghouses in 1921 that needed an overhead marketing agency to coordinate carlot selling and shipping rather than relying on consignment outlets. Today, in 1948, its 139 farmer members and four association members are doing an annual business of more than \$1 million. It handles a major volume of fresh fruits and vegetables under a marketing plan that maintains a uniform pack of No. 1 grade under the Illini brand.

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### Co-op Thrives in Deserted Mill

Sixteen cooperative gin associations in Texas raised \$22,500, 22 local citizens purchased \$6,000 in preferred stock and a loan from the Houston Bank for Co-ops covered the rest of the cost to help a new cooperative buy and modernize a cottonseed mill at Wolfe City in 1939. It had been idle for seven years. Eight years later, in 1948, the vision of Ne-Tex Cooperative Oil Mill members has paid off. The cooperative is debt free; \$329,000 in cash patronage was distributed in 1948; and membership has expanded to include 49

gin associations serving more than 10,000 cotton farmers in a 60-mile radius of Wolfe City.

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### Rice Growers Expand Co-op Drying

Marketing cooperatives or their subsidiaries in principal rice-growing states have joined an industry trend by installing artificial dryers and expanding storage capacity as a service to their members. Uniform drying increases the yield of whole rice grains in milling operations by reducing breakage. In 1946, 15 cooperatives with a combined rice drying capacity of nearly 9.5 million bushels were operating in the primary rice growing states. Another 11 driers under construction boosted capacity 62 percent to more than 15.5 million bushels. The number of driers has increased 70 percent.

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### Grain Co-ops Expand Capacity

In response to a surging demand, many of the nation's local and regional grain cooperatives are modernizing their operations with expanded storage capacity, larger truck scales, faster car loading equipment and automatic scales. They offer grain drying and hedging service, custom feed grinding and mixing, and distribution of seed, fertilizer and petroleum products. In Kansas alone, local grain cooperatives are completing work on 20 new elevators, each with a capacity of 100,000 bushels or more.

Use of barges on the Mississippi and other major rivers has helped speed the movement of post-harvest grain from the elevators to distant markets. Illinois Grain Terminals has expanded its Illinois River system to five terminals to merchandise more grain from Farm Bureau affiliates. Illinois Grain Corporation, a companion statewide cooperative, provides brokerage and commission services to its locals. ■

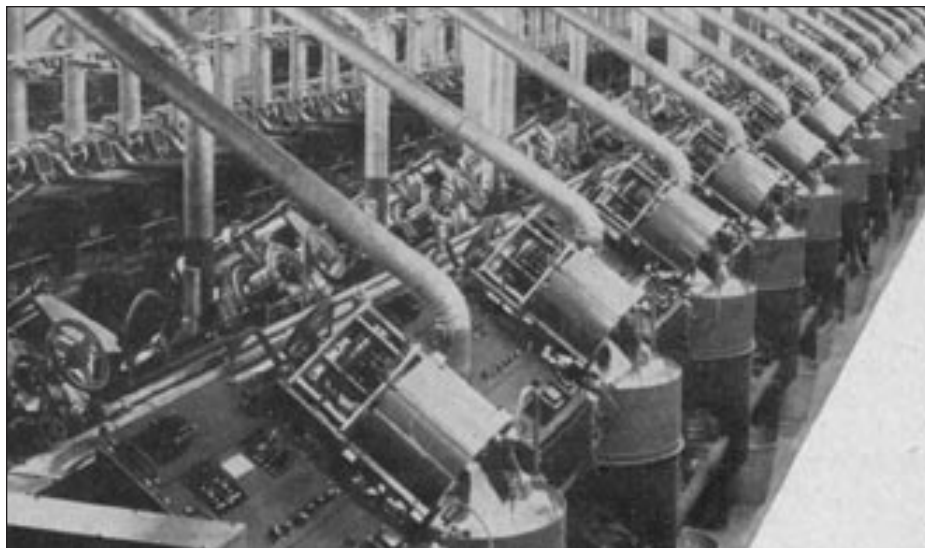
## Co-op Brands Gain Market Share; Livestock, Tobacco, Cotton Co-ops Expand



Checking on feed bags at the Progressive Farmers Co-op at Sumter, N.C., which opened its new building in 1954. The 100-member cooperative also handled other farm tools and supplies, fruits, vegetables, appliances and groceries.



Compact, 50-pound bales of cotton helped Calcot Ltd. of Bakersfield, Calif., cut air freight cost by a third.



Michigan Elevator Exchange used 146 electric-eye sorting machines to sort beans at its Port Huron facility.

### National Grape Buys Welch

The transaction was five years in the making and of a magnitude that had never before occurred in U.S. agriculture. But to the 4,600 Concord grape grower-members of National Grape Growers Cooperative at Westfield, N.Y., who invested \$15 million, it meant buying the top name brand in the business: the Welch Grape Juice Co. Even though the association was formed in 1945, it took until 1952 for the idea of owning the processing company to jell.

To finance the transaction, growers received cash for their grapes from Welch at above market prices. They received an additional 10 percent of net sales in the form of allocation certificates due in 20 years, retroactive to the 1951 crop. When the fund reached \$15 million, the cooperative exercised its option to purchase. The cooperative gave Welch a mortgage for about \$13.5 million to cover net current assets, including supplies, grape juice and other products ready for sale, improvements to plants, two new plants acquired since 1952, plus goodwill and trademarks. Growers applied 10 percent of the net sales to begin paying off the mortgage.

### Cooperative Fertilizer Market Grows

Fertilizer programs of cooperatives have come a long way since the days of the first car-door delivery of plant food materials to farmer members. During 1950-51, supply co-ops grossed \$256 million from fertilizer sales. Steady growth in this sector means that today, in 1953, 65 cooperatives own 111 fertilizer facilities. Of these plants, 21 manufacture normal super-phosphate. They range in size from small dry mixing plants of 5,000 tons up to plants with a capacity of 80,000 tons or more. The growth of regional cooperatives such as Central Farmers Fertilizer Company of Chicago (later CF Industries) gave farmers a foothold in the production of the primary sources of nitrogen and phosphate.

### Cooperatives Integrate Petroleum Operations

After the initial growth of local petroleum retail cooperatives and the first cooperative refinery in 1939, 11 refineries are being operated by 13 regional cooperatives in 1957. Total crude distillation capacity is 155,700 barrels a day. Total thermal cracking capacity of nine refineries was 25,925 barrels a day, or 1.2 percent of the total national capacity.

### Apple of the Eye: Lucky Leaf

It was more than luck that put the Lucky Leaf brand of fruit products on the dinner tables from Maine to California and more returns into the pockets of growers. Planning, hard work, cooperation and merchandising knowledge have made Knouse Foods Cooperative Inc., of Peach Glen, Pa., one of the four major apple processing firms in the United States. While net earnings have been distributed annually since the cooperative was formed in 1949, peak returns of nearly \$1 million were made in 1954. Fruit growers in the four-state area of the southern Appalachian fruit-belt mar-



ket their foods in many forms, ranging from apple sauce and red sour cherries to peaches and fruit pie fillings.

### Co-op Tobacco Warehouses Flourish

Cooperatives were new to the North Carolina tobacco country when some of them formed in the late 1940s. The Growers Cooperative Warehouse at Wilson, 40 miles east of Raleigh, is the world's largest brightleaf tobacco market and was the first to be formed. To supplement start-up capital invested by producers, the cooperative negotiated a loan with the Columbia Bank for Cooperatives to purchase an 11-acre tract and build its warehouse. In each of its four years of operation, the co-op led the Wilson market in pounds of tobacco sold from a single warehouse floor. During the 1951 season, it handled 7.8 million pounds of tobacco worth \$5.2 million.

### Farmer Cooperative Service Is Born

Congress had been appropriating funds to support the development of agricultural cooperatives for 40 years. Now, in 1954, it has formalized this assistance with the creation of the Farmer Cooperative Service (FCS) as part of the U.S. Department of Agriculture. This action comes on the heels of the Farm Credit Act of 1953 and the reorganization of USDA. The Farm Credit Administration, which had contained the cooperative program, is now an independent entity outside the government. FCS programs are carried on by divisions for marketing, purchasing, management services. "News for Farmer Cooperatives," a magazine, and other bulletins and reports are edited and issued by an information division of the Farmer Cooperative Service. The agency's new administrator is Dr. Joseph Knapp.

### MFA Sees 40 Years of Progress

William Hirth, editor of the "Missouri Farmer and Breeder" magazine in the early 1900s advocated the need to remedy a "sickening agricultural situation" by encouraging Missouri farmers to increase their bargaining power through cooperatives. As a direct result, seven farmers formed the foundation of Missouri Farmers Association (MFA), which is marking its 40th anniversary in 1953. MFA's business volume has reached \$300 million and the cooperative serves 150,000 members.

Dairy products are disbursed from MFA creameries strategically located throughout the state. Farmers purchase nearly \$2.5 million in farm production supplies annually from MFA and it is the largest producer and processor of certified seed and the largest distributor of seed corn in the state. A substantial portion of commercial fertilizer used by Missouri farmers is manufactured and distributed by MFA. The cooperative operates 47 bulk fuel plants and more than 67 service stations that distribute oil, gasoline and grease. It operates two



This cartoon illustrated a magazine article titled "Employees Produce More When They Share More."



Copies of "Today's Farmer" magazine, published by the MFA cooperative, roll off press.



Studio lights brighten the set so that television cameras can broadcast a demonstration of how Co-op Glow Candles are made by the Pacific Supply Cooperative at Walla, Walla, Washington.





United Farmers of New England, headquartered in Boston, introduced "pitcher pour" half-gallon cartons of milk in a media blitz that included streetcar advertisements and store promotions in 1954.



This cartoon from 1955 contrasted the differences between cooperatives in the 1920s and the 1950s.



Pure Milk Association introduced a one-third quart of milk concentrate on the Chicago market, which attracted a large amount of media attention.

refineries that produce petroleum products. More than \$23 million in grains is sold through MFA Grain and Feed Co. MFA also provides marketing services and a hatchery for poultry and egg producers.

### 'Hayburners' Gone, But Florida Citrus Rolls On

Waverly Growers Cooperative of Florida—founded four decades ago—originally transported the citrus of its members by old, reliable "hayburners" (horse-drawn wagons) which often had to delve through deep sands. In time, the hayburners were replaced by powerful trucks and trailers which haul fruit to modern packinghouses. Crop volume has expanded from 9,725 boxes annually in the co-op's early days to 2.5 million boxes. Grower equity has grown from almost nothing to \$2.4 million.

By its 40th birthday, Waverly joined with five other citrus cooperatives to form Florida Canners Cooperative at Lake Wales. This cooperative provides cost-saving orchard caretaker service for about

90 percent of member groves and has perfected a seasonal pooling plan. The co-op obtains crates from a cooperative with sawmills and large timber holdings in Florida and Georgia. Through Associated Cooperatives at Sheffield, Ala., it secures manufactured fertilizers. It helped organize Florida Citrus Mutual, with a membership of 7,000 growers representing 80 percent of the Florida citrus crop.

### Wheat Co-op Responds to Bakers

The Farmers Cooperative Commission Co. of Hutchison, Kan., a regional cooperative serving 121 local cooperative elevators, has tuned in to what the baking industry is saying: "The variety of wheat your members produce for high yields is not suited to our needs for gluten-strength flour, which affects our baking results." Today, in 1954, the cooperative is meeting the problem head on with an experimental mill to test wheat qualities for baking qualities. It is giving growers a better market by telling millers how well members' wheat will perform for the baker after milling.



Land O' Lakes used "milk automat" vending machines to market half-gallon cartons of milk.

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## Potato Growers Lure Buyers With Co-op

A cooperative formed by 16 potato growers in the north of lower Michigan is succeeding in attracting new buyers and expanding markets. With help from their county extension agent and staff of Michigan State College, the growers formed Emmet County Growers Cooperative, Inc., at Petosky. Previously, their location put them at the end of the buying chain, or even shut them out of the market. The cooperative is enabling them to produce and market a uniform, high-quality "Straits" brand potato, demand for which is high. Net returns are increasing because their product attracts higher than average prices for that area. Member ranks have quickly swelled to 38 growers.

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## Diamond Walnuts Called "Brand of Choice"

Like many food products developed by farmer-owned cooperatives, the quality walnuts sold under the Diamond brand lead the industry for customer demand. The California Walnut Growers Association of Los Angeles, now 40 years old, has tied product quality to an aggressive marketing program. It took seven years to develop the machine that stamps the Diamond brand on each first-grade walnut shell. The association represents 25 local cooperative associations, 11,000 growers and 80 percent of the walnuts grown in California.

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## One-Stop Service for Texas Farmers

Although the Brownsville (Texas) Cotton Gin has never bought a bale of cotton, it has sold more than 43,000 bales since it was formed in 1947, or nearly 92 percent of the bales ginned by the association in its seven years of operation. The marketing service was started by the original board of directors. Farmers agreed to pay

\$150,000 for a modern gin that they knew wouldn't be paid off unless existing local cooperative marketing practices were improved.

Annual ginning volume averaged 7,000 bales. A second gin plant was added in 1951 to handle increasing member volume and increasing facility investments to \$1 million. The cooperative also has \$64,360 invested in Valley Co-op Oil Mill at Harlingen, Texas, and it buys pure certified seed from the Texas Planting Seed Association, of which it is part owner.

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## Home Freezers a Boon to Locker Plants

Frozen-food locker plants are expanding marketing efforts by provisioning home freezers. A survey of 10,553 frozen food plants by the Farmer Cooperative Service has revealed that about 1,700 qualify as frozen food provisioning plants. These plants extend credit for more than 60 days for bulk food purchases of their patrons.

Half of the freezer provisioning plants are in communities of more than 5,000, while only a quarter of the locker plants were in towns of that size. The majority of both types of plants are individually owned. Cooperatives are less likely to include a home freezer provisioning feature in their operations.

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## Co-op Credit Increases About 10 Percent

Farmers and their cooperatives borrowed more than \$3.3 billion in 1957 from the nationwide Farm Credit System, setting a new record by increasing the amount 10 percent, or \$368 million, from 1956. R. B. Tootel, governor of the Farm Credit Administration, says the growth of credit is due to "the continued rise in farming costs and farmers' efforts to improve the efficiency of their operations by developing optimum, family-size mechanized farming units."



Broiled lamb chops were promoted as food that should appeal to weight-conscious consumers in a 17-week ad campaign launched by Producers Livestock Association of Salt Lake City, Utah. The co-op claimed it helped spark a 68-percent upsurge in demand in areas where it ran.



Southern States Cooperative, Richmond, Va., used a "mobile dairy" in the 1950s to demonstrate its line of milking equipment.

More than 2,400 marketing and purchasing cooperatives borrow from the banks for cooperatives. At the end of 1957, their loans outstanding from the banks totaled \$454 million compared with \$457 million in 1956.

### Poultry Co-ops Benefit from Trucking Rules

Lower rates and better service are the principal benefits arising from the interstate trucking of fresh and frozen processed poultry products under the agricultural exemption clause, according to a nationwide survey of poultry processors and motor carriers conducted by the USDA. The exemption refers to the Motor Carrier Act of 1935, as amended. In a pair of court decisions, the latest in 1956, the U.S. Supreme Court affirmed a decision by a Texas district court that both fresh and frozen dressed poultry came under the agricultural exemption clause.

Cooperatives have an interest in the exemption because they market 6 percent of the entire U.S. volume of broilers and other poultry except turkey. In 1956, this amounted to 213 million pounds (fresh-cooked weight). Farmer cooperatives also marketed 16 percent of the total U.S. production of turkeys in 1956.

### Taft Benson: Co-ops Must Adjust to "Stupendous Changes"

Speaking at the 30th annual American Institute of Cooperation at Pennsylvania State University, Secretary of Agriculture Ezra Taft Benson outlines the importance of tasks facing cooperatives in an age of "stupendous change and continuing breathtaking challenges." These include the need to maintain producer control over farming, preserving the family farm and exerting effective bargaining power.

"Farmers must mold economic integration themselves to make sure it adequately serves farm interests. They must create new opportunities for themselves through joint efforts," he says. Benson warns against complacency despite notable progress in integration and consolidation. He outlines a four-part program: 1) Build your cooperative bigger in membership, resources, research and services you render; 2) Be satisfied with nothing less than top-notch leadership in directors and management; 3) Bring about more cooperation between cooperatives; 4) Build a better press and public relations program.

Benson says it is almost impossible to over-estimate the value of farmer cooperatives. "Those of us who believe in farmer

cooperatives must be vigilant to see that the public is fully informed... Farm people have come a long way in cooperation with one another. Working together, they can exert effective bargaining power and maintain control of farming. They can preserve the traditional family farm."

### Wisconsin Livestock Co-op Blazes Trail

For a state that had a dearth of livestock cooperatives despite its long history as a leading co-op dairy state, the new Equity Cooperative Livestock Sales Association at Milwaukee has set a torrid pace in its first 18 months. It set up five livestock auctions around the state — a first for Wisconsin — even though auctions were prevalent elsewhere in the country. C.M. Chalfin, Equity's general manager, and Milo Swanton, executive director of the Wisconsin Council of Agriculture Cooperatives, led the fight to get the brucellosis control law on Wisconsin's books amended so cattle going to slaughter could be sold at an auction without this test. It allowed the state's farmers to keep pace with those in neighboring states.

Establishing the auctions involved member relations, public relations and the cooperation by the Agricultural Extension Service and many others in the state. Equity representatives held township meetings across a 10-county trade territory for the pilot auction at Richland Center. County meetings were conducted with key farm groups. Cooperative staffers, district extension men and county agents participated. They spoke at co-op annual meetings and other farm meetings, service clubs and vocational agriculture classes. They also used the cooperative's monthly newsletter to spread the word. Existing cooperatives were used as allies. Farmers selling at the cooperative livestock auctions are getting better prices, have fewer shipping losses and get paid for quality and merit.

Equity also has been selling purebred



USDA's Farmer Cooperative Service distributed 4,300 copies of cooperative publications from this booth at the 1955 American Institute of Cooperation at Purdue University.



Wisconsin Holstein heifer calves for air shipment to dairymen in distant states such as Idaho, Tennessee and Kentucky for dairy herd replacements. It is air-shiping mature dairy cattle to locations as far away as South America.

### Ohio Expanding Co-op Education Efforts

Teamwork among farmer cooperatives, agricultural extension agents and vocational agriculture teachers in Ohio is resulting in popular and effective ways of showing young people why cooperatives are so important to farmers and ranchers. More than 1,500 members of 4-H clubs and Future Farmers of America chapters participated in 16 field days held on farms around the state. At each event, students learned from producers and cooperative representatives why co-ops are vital to farmers.

The idea came from Max Drake, president of the Ohio Council of Farmer Cooperatives, following discussions with extension and agricultural education staff at Ohio State University about the need to develop more effective methods to teach cooperative principles to young people.

All Ohio cooperatives were invited to send representatives to district meetings of extension agents and teachers to present field day plans. The area events were first staged during the summer of 1952. Farm radio directors throughout the state serve as masters of ceremonies and interview host farm families and representatives of each cooperative, stressing how co-ops bring modern business services to the farm.

Another state council education program, also conducted in cooperation with Ohio State University, involves creating more contacts between cooperative managers and vocational agricultural instructors — 40 percent of whom have been on the job three years or less. Very few of these teachers learned anything about cooperatives in college and many have

had only limited experience with co-ops. A recent survey shows that 90 percent of these teachers are giving some instruction on cooperatives, but only 12 percent are visiting these associations or inviting managers to talk to their classes.

### Dairy Co-op Promotes Bulk Milk Tanks

The bulk system of handling milk to supply the Washington, D.C., market, is being advanced by the Maryland and Virginia Milk Producers Association Inc., which has represented producers for 32 years. During the past two years, the cooperative has been developing bulk pickup of its members' milk.

The cooperative helps producers adjust to this big change and even helps finance the initial investment by buying farm bulk tanks in carload lots to lower the price.

Co-op fieldmen are providing individ-

ual assistance to producers to help them make the switch to the new system. Pickup routes have been reorganized as more bulk tanks come into service. More than 120 farms receive daily tanker pickups. Average herd size for the co-op's 1,800 members is 40 cows, although some milk 100 cows or more. Members produced an average daily milk volume of 800 pounds in 1951. Tanker trucks serve an average of nine patrons on each route, which average 100 miles, round trip.

The bulk milk system first appeared in the Los Angeles area in 1948, and gradually has become well established in at least 16 other states. Twenty-one dairy cooperatives currently use bulk pickup to some degree.



With a little help from Miss Super-cargo of the Day, Priscilla Keays, Sunkist Growers of California shipped 135,000 boxes of Valencia oranges to Europe.



Avocados from Calavo Growers of California were used in a fall fashion display show at a major department store in Washington, D.C. Fashions were, naturally, mostly in avocado green.



At its 40th anniversary in 1955, Waverly (Fla.) Growers Cooperative featured women in Civil War-era clothing at its headquarters.



## Livestock Service Co-ops Gaining

About one million livestock farmers and ranchers have banded into cooperatives for marketing services. Both membership and volume of livestock marketed by cooperative have been gaining during the past decade. Cooperative interest is also stirring in the South, where beef production has outstripped marketing facilities. Cotton Producers Association of Atlanta opened a livestock department in 1952. It plans to lease or purchase local stock-

yard facilities at strategic points in Georgia or build new facilities and bring them into the central organization. The Mid-South Cotton Producers operates a livestock department at South Memphis (Tenn.) Stockyards.

Meanwhile, western stockmen gained another cooperative livestock market when Producers Livestock Marketing Association of Salt Lake City, Utah, opened facilities in Billings, Mont. The cooperative has six branches covering 11 western states.

The livestock cooperatives are still riding the tide of decentralized marketing that began in the 1920s. New local markets were opened by several Corn Belt cooperatives in 1952. Farmers now have memberships in 38 large-scale, regional and terminal marketing associations operating on 29 livestock markets of the country. Fifteen of the cooperatives operate 100 branches at other terminal and country markets, making a total of 129 markets served.



*The food research lab at Sunkist Growers Inc. plays an essential role in helping the co-op develop quality food products.*

## Co-op Gin One Man's Idea

Sometimes all it takes is the perseverance of one person to spark development of a cooperative. Grant Cotton Gin Cooperative at Marion, Ark., is largely the dream of John Gammon, who resigned from the Resettlement Administration (forerunner of Farmers Home Administration) to operate his father's cotton farm and led efforts to build a \$70,000 cooperative gin. The cooperative started in the late 1940s with 54 holders of common stock, each of whom who invested \$10. Another 45 sharehold-



*"Ma has parked her shoes, but keeps up with Pa and the 'young fry' in a 'grand right and left' at a family camp sponsored by the Consumers Cooperative Association, Kansas City, Mo."*

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ers paid \$100 per share for preferred stock. Five years later, the co-op was still paying a dividend on preferred stock and making an annual profit. The gin averages 2,000 bales per year and pays an annual refund or rebate of \$3.50 per bale to participating producers.

A fire in 1951 ravaged the original \$130,000 gin of Mound Bayou (Miss.) Gin Association, the brainchild of three producers, but due to wartime restrictions on building materials, a new gin couldn't be built. So the board looked around and

purchased, moved and improved an old gin located in Earl, Ark. It was partially financed by a loan from the New Orleans Bank for Cooperatives. Despite its small membership, the cooperative has never missed handling a single crop. And it has steadily gained new business.

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### REA Loans Modernize Farm Phones

Many farms now have modern, dial-telephones thanks to legislation passed in 1948 which made loans available from the

Rural Electrification Administration (REA) to modernize the phones used by farmers. The share of American farms with telephones passed 42 percent by 1952 and was growing. Well over 200 rural telephone associations had obtained REA loans to install dial equipment. In 1953, a cooperative in New Mexico had completed the first part of a system serving people who previously had to travel 70 miles to access a telephone. ■

## Trend Toward Fewer, Larger Farms Means Major Changes for Co-ops



President John Kennedy greets 500 cooperative leaders attending the 1963 National Conference on Cooperatives and the Future during a ceremony at the White House Rose Garden.

### Dairy Co-ops Expanding Grade A Milk Operations

Originally established to manufacture ungraded milk, many dairy cooperatives are expanding to include Grade A fluid milk production, matching an overall industry trend. USDA's Farmer Cooperative Service (FCS) surveyed 124 dairy manufacturing cooperatives in Minnesota, Wisconsin and Iowa. FCS also analyzed three cooperatives experienced in handling Grade A milk from 1955-58. The study shows that cooperatives should carefully appraise the adequacy of fluid markets and the costs of adding facilities for Grade A milk. By participating in the federal milk order markets, such as the order for the Chicago area, many cooperatives are successfully developing new

programs. For other smaller manufacturing plants, participating in the Grade A market has not been — and may never be — possible, short of merging with neighboring cooperatives.

### Pacific Co-op Petroleum Patterns Changing

Petroleum, the original "pack horse" that carried Pacific Supply Cooperative (PSC) at Walla Walla, Wash., through its early years, still accounts for about half the co-op's annual sales volume. But it has now been joined by an array of production supplies such as fertilizer, hardware, feed and automotive supplies. It also markets grain and seed. Business volume for 1959 reached nearly \$31 million. PSC supplies 120 local cooperatives which serve

100,000 farmer-members in Washington, Oregon and Idaho. PSC recently opened a \$2 million petroleum marine terminal on the Columbia River at Vancouver, Wash., with a storage capacity of more than 13 million gallons. Six river barges a month, each toting 200,000 gallons of petroleum, carry the bulk fuel further upriver to PSC local cooperatives. The terminal project was financed with the co-op's operating capital, preferred stock sold to members and a loan from the Spokane Bank for Cooperatives.

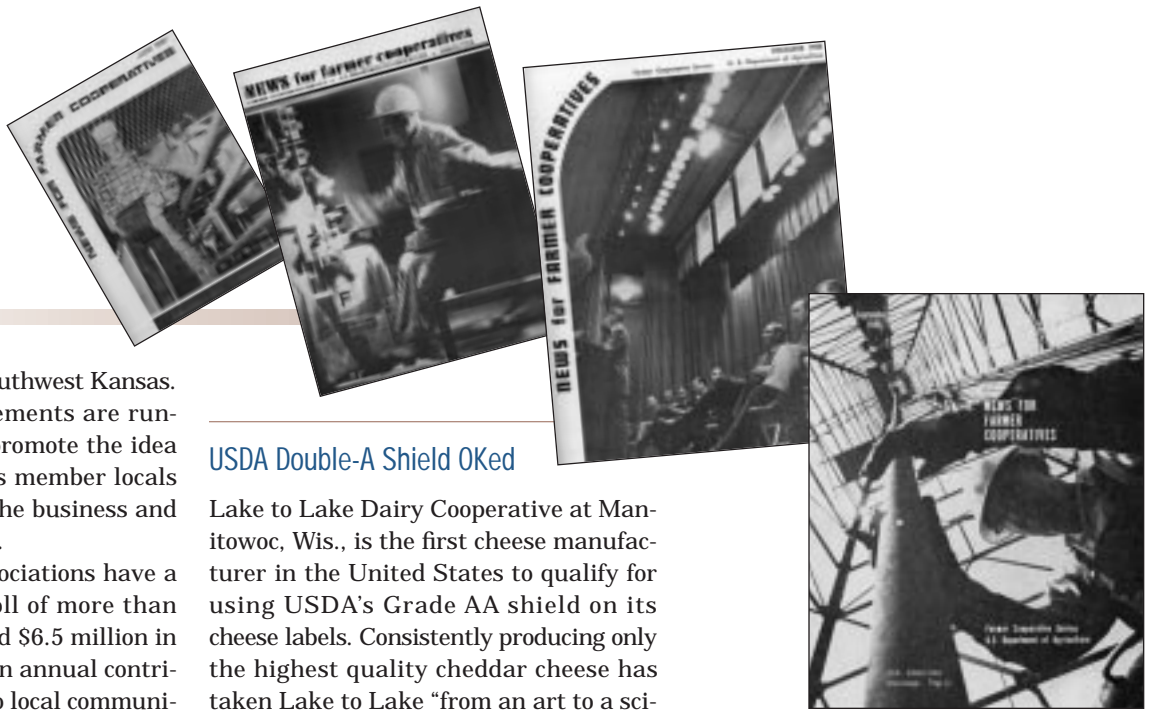
### Steps Suggested for Improving Member Relations

Because cooperatives are owned by their customers, a good member relations program is a must. The important first step is to settle on a program and then actively follow these suggested ideas: develop every director and employee into a friendly salesman for the co-op; make each annual meeting a red-letter day; hold additional membership meetings when warranted; prepare a good annual report; issue a periodic membership publication; prepare special leaflets for members; distribute selected educational materials; maintain an up-to-date mailing list; supply news regularly to local newspapers and magazines; use the local radio and television to carry news about your co-op; foster the family approach to member relations; provide cooperative educational opportunities for rural youth; maintain an attractive headquarters and facilities; cultivate friendly community relations; and cooperate with other cooperatives.

### Kansas Co-op Bolsters Its Public Relations

Reaching the people touched by cooperative activities is the primary aim of the public relations program for the Farmer Cooperative Commissions Co. at Hutchinson, Kan., which serves its 131 local asso-





ciations in central and southwest Kansas. A series of six advertisements are running in local papers to promote the idea that the regional and its member locals are a valuable asset to the business and economic life of the area.

Local cooperative associations have a combined annual payroll of more than \$4.5 million and returned \$6.5 million in savings to members — an annual contribution of \$11 million into local communities to stimulate business. The cooperatives also pay plenty of taxes. In one small community alone, it pays 37 percent of all personal and property taxes. In many cases, the local cooperative is the largest user of local labor.

Using a common theme, “How Do You Measure the Value of Your Local Community Institutions?,” the ads ask readers what the cooperatives means to the community. These following headlines top the ads: People working together; Home-owned; Community responsibility; More local business; Shared by everyone; Paying taxes.

### USDA Double-A Shield Oked

Lake to Lake Dairy Cooperative at Manitowoc, Wis., is the first cheese manufacturer in the United States to qualify for using USDA’s Grade AA shield on its cheese labels. Consistently producing only the highest quality cheddar cheese has taken Lake to Lake “from an art to a science in cheese making,” says General Manager Truman Torgerson.

### Liquid Fertilizer Use Gaining

To illustrate the growth in liquid fertilizer service by Midwest local cooperatives, USDA/FCS has conducted a study of 17 cooperatives in Nebraska and Kansas.

*These magazine covers from the 1960s depict co-op activities, including livestock feed and fertilizer operations, Agriculture Secretary Orville Freeman opening the National Co-op Month observance at USDA; and Midland Cooperative’s prize-winning photo in the annual Cooperative Editorial Association photo contest.*



*Peruvian Indians work on the potato harvest outside a parish in San Juan, which sponsored a credit union to finance a local farm supply business and cooperative housing.*



*Mechanized harvest is underway near a rural church in the Dakotas, a spring wheat-producing area served by Farmers Union Grain Terminal Association.*



Cooperatives in the 1960s began offering consumer recreation services -- such as rural golfing and fishing -- with the help of financing from the Rural Electrification Administration and technical assistance from USDA's Farmer Cooperative Service.

Twelve of these co-ops distribute anhydrous ammonia while 14 handle 28- and 32-percent nitrogen solution. Very little aqua ammonia, low-pressure nitrogen solutions or liquid mixed fertilizers are used by their members. Eight associations that keep records show that anhydrous ammonia represents 66 percent of the total fertilizer sales.

### Co-op Grain Drying on the Rise

The trend toward early harvest in the mid-1950s meant local elevators received more grain with a high moisture content — more than they could conveniently blend or sell at a discount. This trend has given rise to grain drying services at the



This mural provided inspiration for the Montgomery Farm Women's Co-op Market, Bethesda, Md., and its manager, Marjorie Hicks.

elevators. A study by USDA's Farmer Cooperative Service and Kansas State University of 10 local elevators looks at drying costs for a period of one year. During the period, these elevators dried 3.25 million bushels, or an average of 250,000 bushels per dryer. Direct dryer costs averaged 1.47 cents per bushel of grain. Costs were lower when drying volume was high.

### Purchasing Co-ops Cut Farm Production Costs

The trend toward larger farms is prompting a marked increase in services members expect from their cooperatives. This includes bulk delivery of feed and petroleum products, spreading fertilizer and grinding feed by portable mills on the farm. In turn, cooperatives are providing more credit, transportation, fire insurance, electrical power and telephone services and related on-the-farm production or business service. As a result, regional cooperatives are increasing economic research on problems of internal operations.

### CCA Farm: A Testing and Proving Ground

A 150-acre working farm owned by Consumer Cooperative Association at Kansas City, Mo., provides a testing center for feeding and management practices, as well as research labs. The beef, dairy, turkey, chicken and part of the hog breeding enterprises are patterned after a normal Midwest farm operation. The three objectives of the farm are: 1) to determine specific rates of gain per pound of CCA feed under farm conditions; 2) to breed the hog of tomorrow; and 3) to find and demonstrate improved feeding and management practices that can apply to individual livestock and poultry enterprises. Nearly 4,300 visitors toured the farm during the first year. The initial open house after CCA's 1959 annual meeting attracted 750 people.



The Consumers Co-op Association at Eau Claire, Wis., opened a car care center featuring a lounge where customers could watch television while waiting for their car to be serviced.

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## Snowstorm Doesn't Impede Annual Meeting

Not even a driving snow storm could prevent 16 of the 19 members of the Sawyer County Mink Ranchers Cooperative at Hayward, Wis., from attending the 1961 annual meeting. Plans were approved to expand the food plant to make the operation more efficient. The initial plant was financed by a loan from the St. Paul Bank for Cooperatives. In its first month of operation, the cooperative showed a loss of \$900, but by year-end it showed a net gain of \$19,000. Savings for 1960 reached \$33,000.

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## Secretary Freeman Sees New Horizons for Co-ops

Cooperatives can make their greatest contribution only if they consciously seek ever-widening horizons toward which to set their own goals, Secretary of Agriculture Orville Freeman tells the 1961 American Institute of Cooperation.

Freeman says cooperatives should "make their voices heard effectively and constructively in formulation and adoption of a national farm policy directed toward achieving broad goals for American agriculture." He encourages "all farmer cooperatives to cooperate with one another in the interest of a broad legislative program for farmers, rather than speaking only from their specific commodity interest with small and fragmented voices." He urges cooperatives to help improve public understanding of the contributions and needs of the nation's farmers. He also urges cooperatives to strengthen the bargaining power of farmers and explore benefits of vertical and horizontal integration — especially in areas where modern science and technology offer advantages, such as in processing commodities.

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## Seminole Indian Cattlemen Form Co-op

For several years the cattle were owned by the Seminole Indian tribe in Florida, but then cooperative principles were adopted to improve marketing and production practices. The producers formed Big Cypress Indian Cattlemen's Association, which is now a member of the Glades Livestock Marketing Association. Tribal herds had been dispersed and individual ownership has been achieved by members purchasing the cattle. It sold 115 fat, full-range cows at its first sale in 1961. The co-op has grown to 37 members who own about 1,500 head of high-grade Brahman-cross cattle. They run registered Angus bulls with their foundation herds.

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## Scrambling for Eggs the Co-op Way

The Inter-County Cooperative Association at Woodridge, N.Y., could build a mountain with all the eggs it has handled in its 25 years. In 1936, its initial year, the cooperative had 41,470 hundredweight in feed sales, which has grown to 1.3 million hundredweight in 1960. In its quarter century, the cooperative has allocated more than \$1.5 million in patronage refunds and paid out more than \$376,000 in cash refunds. The pullet-financing program helps members with replacement flocks. Financing bulk bins boosts bulk feed receipts on members' farms. It is the first organization in the East to initiate an egg quality control program with federal-state grading service at the farm level.

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## Service Co-ops Raise Living Standard

Farm service cooperatives and farmer-owned mutual service companies have played an important part in the development of rural America in the 1960s. They provided farm business services in electricity, telephone, insurance, irrigation,



*Co-ops in the 1960s became more adept at marketing. National Grape Cooperative Association used Fred Flintstone to promote Welch grape products (top); Sunkist Growers opened its Citrus House at Disneyland (bottom), and June is Dairy Month (center) was heavily promoted.*





President Lyndon Johnson was keynote speaker at the 1967 Co-op Month observance.

credit and transportation to supporting commercial farm operations. Mutual irrigation companies, for instance, served more than 7,000 rural areas throughout the western third of the United States to bring water for crop irrigation on arid and semi-arid soils and create prosperous farms. In 1,600 or more rural areas in 40 states, farmers' mutual insurance companies are providing more than half of the fire insurance carried on farm property and save their 3.5 million members at least \$30 million in annual costs.

### U.S. Co-op Marketing Movement Turns 50

Cooperative marketing in the United States is marking its 50th anniversary in 1963. The occasion is being observed in many ways by cooperatives, coast to coast.

In Oregon, for example, the Apple Growers Association is observing a dou-

ble celebration, since 1963 also marks its 50th anniversary. The co-op was formed in 1913 when a bumper apple crop in Oregon's Hood River valley prompted growers who had been supporting four competing organizations to join forces in a new cooperative. In 1913, the Apple Growers Association had 400 grower-members who controlled 65 percent of the area's fruit. It secured a start-up loan of \$5,000 from a local bank.

By 1963, assets of the cooperative had grown to more than \$8 million and its member equities stood at \$4.2 million. The association today sells \$11 million in products and purchases \$1 million in supplies for its members annually. Its facilities include a 20,000-ton cannery, a 2-million-plus box cold storage warehouse and five fruit packing houses.

It was 50 years ago, in 1913, that the U.S. Department of Agriculture established an Office of Markets to assist pro-



Lyman McKee, president of Milk Producers Co-op at Madison, Wis., and Dairy Society International, serves chocolate milk to visitors at the dairy mission at the World Trade Fair in Accra, Ghana.



A Korean co-op signpost says that the association is "by, of, and for farmer-members."

ducers in marketing farm crops and purchasing farm supplies cooperatively. Its purpose was to help cooperatives such as the Apple Growers Association organize on a sound basis and develop efficient operating methods, work later carried out by USDA's Farmer Cooperative Service. A 1913 survey by USDA showed that 3,099 marketing cooperatives had a total business volume of more than \$310 million, compared with 5,727 cooperatives with an annual business volume of \$9.6 billion in farm products by 1960-61.

Despite the 50-year span, cooperatives are still having trouble securing adequate bargaining power. In 1913, the best answer was to establish a good local or regional commodity marketing cooperative. Fifty years later, the goal was to merge or consolidate those cooperatives and enlarge the scope of their activities.

### Seed Co-op Foraging for Answers

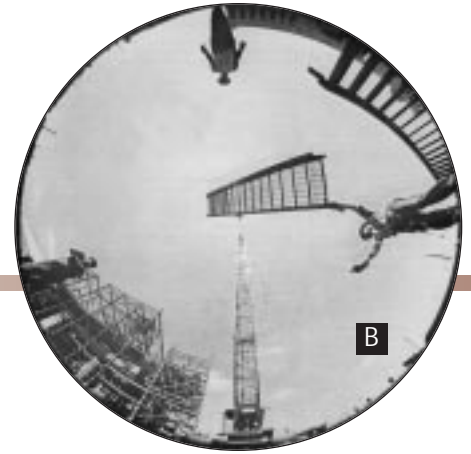
Farmers Forage Research Cooperative (FFR) organized in 1960 at Madison, Wis., is unique in the cooperative business world because it combines two western cooperatives that produce forage seed for research with eight Midwestern and eastern cooperatives that will eventually distribute improved seed varieties. FFR conducts basic and applied research in developing improved varieties of alfalfa and clovers and plans to add other crops later. In 1962, FFR operated a combination office, laboratory and large greenhouses and tested 18,000 seedlings on its 80 acres in Battle Ground, Ind.



### NW Co-op Stabilizes Mink Feed Supply

Contrast the wild mink plunging into the icy Yukon River for its daily fill of fresh fish with their later day cousins in 1963, living on a fur farm and being served a daily ration of fish, grain, liver and vitamins for a well-balanced meal by the Northwest Fur Breeders cooperative (NFB) of Edmunds, Wash. Ranchers formed the cooperative in 1947 to stabilize the supply of fish feed for the expanding mink ranch industry.

NFB has become the second largest cooperative of its kind in the world and



A) A 1966 Christmas card from Farmers Union Central Exchange depicted children from Bombay, India, primary schools offering thanks for CARE product donations in an effort that helped feed 19,000 children. Employees and the co-op skipped holiday cards, parties and gifts for one another to finance the project. B) This circular cover was used for a 1966 article about the growth of farm supply cooperatives. C) Farmland Industries draped uncut press sheets for one of its publications near the member relations booth at its annual meeting. The intent was to stress the need for communicating with the membership. D & E) Cooperatives in the 1960s increasingly turned to computers to quicken handling of records and calculations for members and management. North Central Wool Marketing Co-op at Minneapolis used computers for storing fieldman records and dividend payments.



*Agriculture Secretary Orville Freeman (third from left) reviews a co-op month proclamation with Patrick Healy, National Milk Producers Federation; J.K. Stern, Cooperative League of the USA; and Torben Roane, Danish ambassador to the U.S.*

supplies fish and other foods for a half million minks in Washington, Idaho, Montana and northwestern Oregon. The cooperative's 190 mink rancher members own more than 70,000 female breeding minks. By the end of 1961, NFB had issued certificates for retained margins and investments worth \$1.3 million and had retired more than \$685,000 in stock, leaving only 5 years of retained certificates to be retired.

### St. Louis Co-op Bank Marks 30th

In marking its 30th anniversary, the St. Louis Bank for Cooperatives — the first of the 12 district banks in the Farm Credit System — hosted 50 representatives from cooperatives in Illinois, Missouri and Arkansas. D.M. Hardy, the bank's first and current president, was honored during the celebration. The bank loaned members more than \$169 million, for a grand total of \$1.4 billion in 30 years. The bank returned more than \$1.4 million in stock to members as patronage refunds.

### Transportation Service Achieves Savings

The transportation bill for products marketed and supplies purchased by farmer cooperatives is about \$1 billion per year,

although only 2 percent of 5,000 cooperatives use a full-time traffic or transportation manager. An estimated 33,000 trucks are used as mobile warehouses through which members' products and supplies move. The FS Services' truck fleet in Illinois, for instance, delivers 70,000 loads of merchandise to its member cooperatives. Midwest grain cooperatives own or lease 60 barges and hire hundreds of others to transport grain on the Mississippi and Missouri rivers. Four regional cooperatives ship 14.3 million bushels of grain via barges for export.

### Freeman, Voorhis Mark League's 50th Anniversary

Speaking at the 50th anniversary congress of the Cooperative League of the USA, Agriculture Secretary Orville Freeman pledges the partnership of USDA and the Farmer Cooperative Service in helping cooperatives achieve even greater usefulness. To solve the nation's tough internal problems and face growing responsibilities and expanding opportunities, Freeman urges "better use of cooperatives in new ways and to meet new needs as we struggle to meet our national objectives." These objectives include achieving income parity for the family farm, helping poor Americans lift themselves out of poverty, and using the voluntary self-help form of organization to open up economic opportunities in cities.

In his final report after serving for 20 years as the League's executive, Jerry Voorhis says cooperatives relate to five great needs of the times: 1) they strengthen farmers' position in the marketplace; 2) they preserve the best in rural life and revive rural communities; 3) they give people in cities a sense of belonging and of taking part in worthwhile community activities; 4) they help the poor; 5) they help solve the hunger crisis and help people learn to live together in peace.

He challenges the League to help

members find the vision and courage to adjust, expand, integrate and innovate services. He says they must tell what cooperatives are doing so they can grow and develop rapidly and freely and should work for cooperation among cooperatives of all kinds. They must continue to raise the professional competence of all people in cooperatives: directors, managers, employees and members. "Growth is the prime necessity of the next 50 years in cooperative development," he says. Not simply growth in size, but also growth in vision and participation by members. He says co-ops must emphasize differences and unique values.

### Sioux Honey: Buzzing Distribution

Sioux Honey Association at Sioux City, Iowa, operates a "buzzing" distribution network. In 1964, it moved more than 48 million pounds of honey through that network to reach every part of the United States and many foreign markets. The cooperative's 1,100 members are scattered over 32 states. Their crude honey is hauled by truck from 500 origin points into six processing plants stretching sweetly across 2,500 miles, from Waycross, Ga., to Anaheim, Calif.

### Large Breeding Co-ops Consolidate

Midwest Breeders Cooperative has been formed through the combination of Consolidated Breeders Cooperative of Anoka, Minn., and Badger Breeders Cooperative of Shawano, Wis. Service and semen sales of the new organization, formed in 1967, will exceed \$4 million. Now the nation's largest breeders' cooperative, it has 50,000 members.

### Calcot Recounts 40 Years of Progress

In observing his cotton marketing cooperative's 40th anniversary, J. Russell Kennedy, executive vice president of Cal-



cot, Ltd., of Bakersfield, Calif., stresses: "We have never lost sight of Calcot's original objective of moving members' cotton to market at the lowest cost, and obtaining for [them] full market value consistent with sound business practices, and maintaining our superior reputation with the textile industry." The cooperative now serves 4,000 members who deliver hundreds of thousands of bales each year to Calcot for sale around the globe.

### At Age 50, WFA Just Getting Started

Western Farmers Association (WFA) at Seattle, Wash., marked its 50th anniversary in 1967 but considers this only the beginning of its efforts as an egg marketing cooperative. It was started with only \$245 in capital by 114 Washington poultry producers; at that time it had no employees or facilities. The first year was marked by \$214,000 in egg sales and \$203 patronage earnings for members. Embarking on its second half century, WFA serves almost 50,000 members and offers turkeys, canned and dehydrated poultry products, select frozen and canned vegetables, grains, seeds, beans, eggs and fresh chickens. Its labeled products appear across the nation and export markets, with Alaska a prime market.

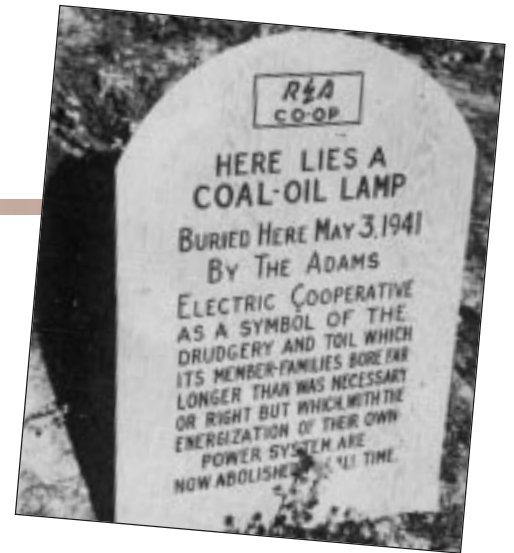
### Dairymen's League: 60 Years of Service

Dairymen's League Cooperative Association of New York City is using a special supplement to its official membership newspaper to tell its six-decade history. The supplement also is appearing in four New York newspapers. The 15,000-member dairy co-op markets 3.9 billion pounds of milk and has net annual sales of \$279 million. It bargains successfully for higher milk prices for dairymen supplying milk to New York City, the world's largest market. It has established a pooling plan, created a system of classified pricing,

developed and promoted its trade name in the Northeast and has obtained U.S. Public Health Service approval for its entire milk supply.

### Statex on the Move

There's no standing still at its 50th birthday for Farmers Union Central Exchange of Omaha, better known by its Statex brand name. It is using a new method of cooperative financing — industrial development bonds, offered by the City of Fremont, Neb. — to raise \$7 million to build



*This tombstone marks the demise of oil lanterns in farm homes and barns. By 1962, 97 percent of the farms were electrified, thanks in large measure to REA programs.*



*The board of directors of Bellamy (Ala.) Enterprises -- with organizational guidance from the Farmer Cooperative Service -- took over American Can Company's store and service station and added a credit union for its community members.*

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an anhydrous ammonia plant and distribute its production. Joining the co-op in a new corporate structure that will operate the FEL-TEX ammonia plant is Farmers Elevator Service Company (FELCO), of Ft. Dodge, Iowa.

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### Making Comeback the Cooperative Way

Harness a new cooperative to a new government loan source and you have the formula for small farmers in Mississippi to make a comeback. Thirty farmers have formed the Hinds Farm Service Association in Raymond and have obtained a loan from the Office of Economic Development within the Farmers Home Administration (FmHA). The loan will enable them to lease an equipment shed and to buy machinery to plant, cultivate and harvest soybeans, cotton, and other crops. Membership has tripled to 90, and the co-op is now using 25 pieces of equipment. The cooperative turned to Hinds County Co-op of Raymond, a member of Mississippi Federated Cooperatives, to manage the venture. During fiscal 1965, FmHA made 295 loans to cooperatives totaling \$1.3 million.

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### VP Humphrey Salutes New Agway Co-op

Agway Inc., based in Syracuse, N.Y., has been formed through the merger of Cooperative GLF Exchange, Eastern States Farmers Exchange and Pennsylvania Farm Bureau Cooperative Association. In his remarks at Agway's first annual meeting, Vice President Hubert Humphrey calls this cooperative the embodiment of rural self-help ideals. "Cooperation is one of the finest expressions of the American spirit," Humphrey says. Here, groups faced with common needs invest their capital and organize their own cooperative to meet their needs. This is self-help at its best," he said. The observance of National Cooperative Month in October

"is an important reminder that cooperatives are a vital part of our free enterprise system," he says. Agway made \$338 million in sales while serving 85,000 members during its first year of operation.

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### U.S. Grain to Japan: Co-op to Co-op

Believed to be the largest co-op to co-op trade agreement, Zenkoren, Japan's largest agricultural cooperative, has docked a ship on George Washington's birthday at the export terminal of Producers Grain Corporation in Corpus Christi, Texas. It will load 35,000 tons of milo, the first installment of a 200,000-ton contract. This is the largest single shipment of grain sorghum ever made by American farmers.

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### Co-ops' Answer to Urban, Rural Crisis

"Co-ops are predicated on the belief that ordinary people can achieve extraordinary feats of accomplishment if only we inform them and ask them to take part," Stanley Dreyer, new president of the Cooperative League of the USA, tells nearly 200 representatives at its 28th biennial congress at Kansas City in 1969. He asks how cooperatives could be more relevant currently and in the future. In response, delegates examined how cooperatives can be more responsive to the rural-urban challenge by helping to bring progress to lesser developed areas of the United States and abroad.

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### Southern States Features Profit Seminars

A new feature at Southern States Cooperative's 45th annual meeting at Richmond, Va., is profit seminars which examine how the cooperative can help farmers make more money from their farming operations. Delegates can attend two of nine seminars. All relate to supplies and services for livestock, crops, dairying and

other farming operations. One of the popular sessions is on tires — farmers being the nation's largest tire customers. Southern States has brought together the best technical talent available from its 5-state territory and beyond.

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### Farmers Open Grain Export Gateway

With the dedication of Farmers Export Company near New Orleans in 1969, the 1 million farmers represented by the member regional cooperatives have gained an export gateway. The new facility encompasses a new, \$20 million grain elevator and marine terminal on the Mississippi River. To finance the facility, local cooperatives furnished \$9 million and the bank for cooperatives extended \$20 million. The first ship to dock there, the Shahjehan Jayanti of Bombay, is loading 800,000 bushels of corn, 300,000 bushels of soybeans and 3,500 tons of gluten pellets for delivery to Rotterdam.

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### Major Milestones for Central Farmers

A new potash ore strike at a potash mine in central Canada and the opening of a new anhydrous ammonia pipeline are major market milestones in 1969 for Central Farmers Fertilizer Co., owned by 19 major regional cooperatives. Strengthened fertilizer services are now offered to the 7,500 local cooperatives and their 3 million members in the Midwest Corn Belt. A series of terminals have been built along a 2,000-mile pipeline that carries anhydrous ammonia from Central Farmers' new 1,000-ton-a-day plant in Louisiana.

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### California Cannery Opens in Wisconsin

In its first venture outside its home state, California Cannery and Growers (CCG) of San Francisco has opened its 10th and most modern cannery, a \$6.5 million plant at Lomira, Wis. The payroll is expected

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to provide \$750,000 annually to Wisconsin workers. Formed in the 1950s by 473 grower-members who put up about \$1 million in capital, CCG annually markets \$115 million of canned foods in the United States and to 29 foreign countries.

CCG doubled its sales in the past decade and now has 1,200 members in Wisconsin and California. Sixty percent of its business is through private labels, institutional and remanufacture channels.

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### Record-Breaking Year for Almond Co-op

The 400 members attending the 57th annual meeting of the California Almond Growers Exchange are celebrating record sales in 1968 of 63.3 million pounds of almonds in the domestic market and a near-record 22.4 million pounds in the export market. The cooperative's gross proceeds for the year topped \$47 million. President Glenn Stalker reports that a new bulk receiving station in Chico, Calif., has significantly reduced handling costs for bulk boxes of almonds at its plant in Sacramento.

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### STAPLCOTN Oldest Cotton Marketing Co-op

Staple Cotton Cooperative Association at Greenwood, Miss., which turned 40 in 1966, is the oldest cotton marketing cooperative in continuous existence — even preceding the Cooperative Marketing Act of 1926 by five years. In its lifetime, the

cooperative has moved more than 15 million bales of cotton through its portals — enough to stretch half way around the world. It has doubled its volume in the past five years and developed an orderly marketing approach to world markets for Delta cotton. It has also opened a compress warehouse capable of storing 92,500 bales and has established the STAPLCOTN trademark.

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### Changes in 60s to Impact Co-ops in 70s

Changes in agriculture in the 1960s will continue to affect cooperatives in the 1970s. While the number of farms has decreased, the size of surviving farms has increased markedly. Both farm production expenses and cash receipts from farming have climbed. USDA's Farmer Cooperative Service has identified six significant cooperative developments during the 1960s: 1) the number of mergers increased substantially; 2) processing operations have increased; 3) greater emphasis is being placed on export trade; 4) a larger range of services is being offered; 5) research efforts have been strengthened; 6) co-op educational programs are stronger.

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### Regional Dairy Co-ops Grow Via Consolidations

By the late 1960s, a series of large regional dairy cooperatives began to emerge resulting from continuing consolidations.

USDA's Farmer Cooperative Service reported that during the 1968-69 period, it recorded 84 mergers. These were brought on by expanded technological development, greater competitive pressure, improved transportation and communication, and increased need for better management. Milk pickup routes from dairy farmers were consolidated. Milk was increasingly accepted in federal milk marketing orders.

Mid-America Dairymen Inc., Springfield, Mo., was formed in July, 1968 through the merger of Sanitary Milk producers and Square Deal, both based in St. Louis, Mo., and Mid-America Milk Producers, Kansas City, Mo. Initial sales of about \$200 million increased to \$500 million in 1969 and the co-op marketed 3.5 billion pounds of milk.

In Louisville, Ky., Dairymen Inc. was formed by producers in 10 states with an anticipated volume of 3 billion pounds of milk. Associated Milk Producers Inc., Dallas, Texas, had 25,000 members operating in three regions (ranging from Wisconsin to Texas) who were producing 10 billion pounds of milk. Meanwhile, Land O'Lakes Inc., at Minneapolis, had 100,000 members and sales of \$369 million at the end of the decade. ■



## Co-ops embrace new technologies and structures to maintain owner control



*It was up with the new and down with the old as this service station in South St. Paul, Minn., installed its new CENEX sign in 1972 following a name change for the co-op. The same scene occurred throughout its 10-state trade territory. And how about those gas prices?*

### Michigan Adopts Bargaining Law

The new Michigan Agricultural Marketing and Bargaining Act has drawn considerable attention because it is considered the first comprehensive farm bargaining law enacted in the United States. It expires in 1976. Noel Stuckman, manager of the Michigan Agricultural Marketing Association, reviews highlights of the act at the association's 12th annual meeting.

The law requires handlers to negotiate with accredited associations which represent all producers (members and non-members) in negotiations with handlers. It also requires producers to pay marketing service fees and establishes an Agricultural Marketing and Bargaining Board. The law also: sets association eligibility standards for accreditation; provides for mediation and arbitration; details unlawful practices by handlers and associations; and limits eligible commodities to perishable fruits and vegetables.

### Livestock Co-ops Vehicles for Southeast Progress

By group action through their livestock cooperatives, Southeast producers can gain sufficient bargaining strength in the marketplace to defend their prices and other terms of sale, according to a new report by the National Commission on Food Marketing. "Livestock producers in many areas have long used cooperatives to extend their influence beyond the farmgate in marketing their animals, but this has mostly occurred in the Midwest, where livestock production is concentrated," observes John Haas of the Farmer Cooperative Service.

Noting the rapid growth in livestock production in the Southeast since World War II, Haas says Southeast farmers sold 20 million head of livestock worth \$1.8 billion in 1967, which represented a fifth of their total income. Haas concludes that

producers have “failed to take advantage of the opportunities provided by a growing industry to expand their influence in marketing livestock. The highly fragmented cooperative market structure and lack of coordination between associations limit their effectiveness in helping farmers improve their bargaining strength.” Many smaller associations need to consider consolidating into larger units to broaden services and reduce cooperative overpopulation, he concludes.

### Credit Report Accents Co-op Growth

An advisory report of the Commission on Agricultural Credit, issued to the Federal Farm Credit Board, urges that a study be undertaken which will gauge how the Farm Credit System might provide further assistance in financing development in rural America, including cooperative utility systems, non-farm rural housing and rural community needs. The report urges the Banks for Cooperatives, the prime credit source for agricultural cooperatives, to seek liberalization of eligibility requirements for borrowing associations, broaden their loan purposes, and place greater emphasis on promoting the growth and development of cooperatives.

### Railroad Changes Impact Co-op Grain Marketing

The nation’s transportation system — truck, rail and barge — is dictating when, where and how grain will be marketed, according to a new study by USDA’s Farmer Cooperative Service. While trucks and barges are hauling increasing amounts of grain, railroads still remain the principal haulers. So rail rates are the standard by which other charges are measured.

It was once common for a grain cooperative to ship a single 50-ton railcar of grain to a single destination. But now, in 1970, shipment in 5-, 20- or even 100-ton covered hopper railcars in unit trains is

routine. However, rate structures require shipments larger than can be provided by the average country elevator, which are often located on branch rail lines. Many of these rail branches are being abandoned. Railroad management is emphasizing large-volume, multiple-railcar shipments from a grain elevator or feed mill located on a main line with the movement fitting into an existing train schedule.

### Cache Co-op Trucks Brim with Swiss Cheese

Just like alpine Switzerland, the Cache Valley of northern Utah and southern Idaho brims with some of the world’s finest Swiss cheese, produced by Cache Valley Dairy Association at Amalga, Utah. When any of the co-op’s eight big vans ease away from the loading dock and head for distant western markets, they tote a cargo valued at nearly a quarter-million dollars. As the largest Swiss cheese plant in the world, the co-op’s 200 employees pro-

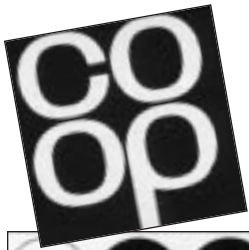


*Henry Von Bank, Minnesota Valley Breeders Association, places ampules of beef bull semen derived from the cooperative’s herd into cryogenic bottles prior to shipping them to one of the cooperative’s artificial insemination (AI) technicians. Cooperatives pioneered the AI industry.*



*Assuring farmers a supply of seed corn that was resistant to Southern Corn Leaf Blight required the services of nearly 1,000 teenagers to detassel seed-corn plants during 1971. They rode in buckets hanging from the extended arms mounted on a tractor moving through the field. The teenagers were hired by FS Services Inc.*

duce 50,000 pounds of cheese from a daily volume of a half million pounds of milk. Several hundred members are constantly being urged to increase milk production from their herds to match the growing demand for the co-op's cheese. The valley is home to 40,000 people and Utah State University. The cooperative is the most important industry in the valley, with a monthly payroll of \$90,000.



National Grape Cooperative Association's subsidiary, Welch's, introduced a new vitamin-enriched drink for the Caribbean market during the early 1970s.

## Severe Challenges Facing Co-ops in 1970s

Agriculture is facing severe challenges in the 1970s and cooperatives must help guide these changes, not just react to them, says Bill Black, agricultural economist from Texas A&M University. "Cooperatives have always generated agricultural leaders, and the future of agriculture will depend upon leadership from within," he says.

Farmers will continue to be guided by the economic laws of the marketplace, and thus must not be blinded by their emotional desire to produce without regard to market demands," he says. Cooperatives can meet the challenges in seven ways: 1) providing marketing leadership; 2) enacting tougher production and quality policies; 3) developing joint ventures; 4) developing cash and contract markets; 5) pursuing new and expanded markets; 6) better research and development efforts; and 7) through strong internal leadership.



Children in downtown Hong Kong sip a beverage produced by Sunkist Growers of California. The cooperative anticipated sending 15 million cartons of its citrus soft drink into the export market in 1972.

## Detailed Records Help Boost Dairy Production

Cooperatives looking at ways to help their members become better managers are increasingly turning to computerized business and production records. Dairy farmers with Dairy Herd Improvement Associations (DHIA) for herd management are producing an average of 3,000 to 4,000 more pounds of milk per cow annually than those not using records. However, only 25 percent of the dairy cows in the United States are on DHIA testing. Agricultural Records Cooperative at Madison, Wis., was developed primarily for processing dairy production and business records.

Agri-Tech Analytics Inc., a subsidiary of Dairymen's Cooperative Creamery Association at Tulare, Calif., uses sophisticated techniques to improve herds and farm management practices. Long Meadow Dairy Farms, a cooperative at Durham, N. C., has joined with local county DHIAs to provide specialized record service to Long Meadow members. The cooperative pays a 10-cent bonus per 100 pounds of Class I milk sold to the dairy plant from herds participating in the DHIA or owner-sampler record plans.

## Farmland Promotes Food as Bargain

Farmland Industries Inc., of Kansas City, Mo., has become a leading voice for agriculture and those who face a myriad of problems in trying to make a respectable living on the farm. The cooperative is sponsoring a series of full-color newspaper advertisements and a billboard near its headquarters with the theme that "food is a bargain" compared with the prices of other products.

Ernest Lindsey, Farmland's president, wants urban Americans to realize farmers aren't getting rich and often are barely surviving. He also discusses this dilemma in several articles appearing in



agricultural journals. The series of ads and articles triggers a flood of favorable reaction both from farmers and from other cooperative organizations.

### CRF Joint Venture Provides Feed Conversion Data

Twenty regional cooperatives, including four from Canada, have formed a joint venture — Cooperative Research Farms (CRF) — which involves a network of eight livestock research farms that test feed formulas to determine cost and conversion efficiency. Participating cooperatives share in the costs and research results. The research program rests only on a gentlemen's agreement outlined in a letter, which says the cooperatives will pay an annual assessment and abide by a majority decision in choice of projects. Total cost for the project is about \$500,000 annually. Committees of feed specialists from all participating cooperatives choose the research projects.

### Minnesota Co-op Multi-Serviced at 85

There was little or no shock threshing in Watson, Minn., when Watson Farmers Elevator Co. was formed 85 years ago. Most farmers stacked their grain in round stacks in the field. It is believed to be the oldest continually operated grain cooperative in the country. Farmers raised hogs and dairy cattle, but the straw was considered useless and burned in the field. There were no trucks, tractors, school busses, refrigerators, electric lights, gas or diesel motors — and no rural electric cooperatives.

Now 85 old, the cooperative offers a multitude of services plus grain marketing. It has a feed plant for custom grinding and blending and a fertilizer warehouse and custom blending and spreading services. It cleans seeds, markets a variety of grains, operates two grain dryers and has a storage capacity of 250,000 bushels. Manager Roy Oleson, who is also

mayor of Watson, population 300, reports the co-op is handling 1.3 million bushels of grain and has a total business of \$1.6 million. In the past year it had \$31,640 in net margins.

LOL, Sweet Cream Butter, Mark 50th Land O'Lakes (LOL), of Minneapolis, Minn., will mark a half century in busi-



Connecticut farmer Louis Longo didn't need the background cheerleader for his enthusiastic remarks at a dairy profit seminar sponsored by Southern States Cooperative at its 50th annual meeting in Richmond, Va.



Brynhilde Ringheim holds a pair of lobsters for a customer's inspection in a retail store operated by Chatham (Mass.) Seafood Co-op Inc., on Cape Cod. It was the first seafood cooperative to receive a loan from the new Springfield (Mass.) Bank for Cooperatives.

ness during 1971. The dairy cooperative was formed by 350 Minnesota dairy farmers as Minnesota Cooperative Creameries Association, Unit No. 1. It was a statewide marketing association that has gained fame for its "sweet not sour cream butter." It started with one borrowed desk, one bor-

rowed typewriter and a loan of \$1,000. The LOL brand name and Indian maiden logo first appeared in 1924.

LOL's current strategies, based on goals set by its pioneers, include: to standardize and improve quality through cream grading and proper methods of

manufacture; to transport butter and dairy products by car-lot shipping; to provide service in the sale of products through closer cooperation with distribution agencies and whole-market receivers; to cooperatively purchase supplies such as salt, butter tubs, coal and the like in car-load lots, and to cooperatively advertise dairy products.



*Long-grain, fresh-market cucumbers are washed, graded and packed by Tri County Farmers Association, a vegetable marketing cooperative in eastern North Carolina.*

### Leadership Co-op's Greatest Contribution

"I have often said that cooperatives have made a great contribution to American agriculture," Earl Butz, President Nixon's new secretary of agriculture, tells delegates to the National Council of Farmer Cooperatives annual meeting. They supply a great deal of leadership to rural America, he says, because of the experience they've gained in running cooperatives.

"This encourages participation in local government and support for good government and fiscal responsibility," he continues. This leadership has helped make our country great and it is needed now more than ever as we move even further from a rural oriented society toward a more unsettled urban-oriented society."

### CENEX Trademark Is Born

Marking its 41st annual meeting, Farmers Union Central Exchange formally



*A Vermont co-op farmers market extended its fall season a month and generated an extra \$68,000 in gross receipts by selling handcrafts.*

adopts CENEX as the trademark, trade-name and general corporate communication identification for this St. Paul, Minn.-based cooperative. The organization, however, retains its official corporate name. CENEX becomes the house-brand for all products packaged and branded by Central Exchange. It will also be used as the corporate identifier in the marketplace. The cooperative's sales have just set a sales record of \$200 million.

### TCX Dedicates \$1.7 Million Juice Plant

Keeping pace with the state's rapidly growing citrus industry, Texas Citrus Exchange (TCX) at Edinburg has erected a \$1.7-million frozen concentrate plant at Mission, Texas. Plant capacity is the largest in the state, at 13,000 tons of concentrate per season. TCX, formed in 1968, is a sales agency for five other cooperatives.

### AMCOT Meets Cotton Marketing Challenge

Better grower returns is the agricultural challenge of the 1970s, so four regional cotton cooperatives — Calcot Ltd., of Bakersfield, Calif.; Plains Cotton Cooperative Association, Lubbock, Texas; Staple Cotton Cooperative Association, Greenwood, Miss.; and Southwest Irrigated Growers Association, El Paso, Texas — have formed AMCOT Inc. to link and strengthen worldwide marketing efforts. AMCOT started with 25 percent of the U.S. cotton production, or about 2.75 million bales of cotton. With the additional muscle provided by the merger, grower returns will improve through broader market coordination and through the economics of combined sales offices.

### Hallberg Reemphasizes Co-op Education

"There is a big challenge facing us in acquainting the many publics with the

role of cooperatives in our American competitive enterprise system," Owen Hallberg, the new president of the American Institute of Cooperation (AIC), says during the 45th National Institute in Cooperative Education. "Constant examination is vital," he stresses.

Special emphasis on membership education should focus on young farmers and youth, many of whom know very little about cooperatives. "We also need well-informed and concerned employees who understand what cooperatives are all about, who are enthusiastic about their employer and can transmit this enthusiasm to everyone they contact," he says.

While more education may be possible through better coordination among cooperative organizations, government agencies, state councils and education groups, there are limitations, he says. The main limiting factors are: the "willingness of directors and management to recognize needs; lack of courage by directors and management to envision and plan long-range education programs; and the willingness to work together. We must be big enough to recognize differences in philosophy and practice and be willing to overlook them in achieving our common goals."

### 'Food for Crude' Policy Suggested by FS Services

In the midst of an international oil embargo, exchanging food for crude oil makes good sense, E.V. Stevenson, executive vice president for FS Services Inc., tells delegates attending the 1973 annual meeting of the Midwest-based farm supply cooperative. "We can produce more than enough food for the America people" and still export 50 percent of the soybean crop and 20 percent of the corn, Stevenson says. Total farm exports are predicted to grow to \$20 billion by 1980, the same projected value of oil imports by then, he notes.

"To produce for expanded exports, however, we need adequate supplies of fuels

and fertilizer. We cannot feed our nation and part of the rest of the world if agriculture is limited to a stick and a hoe and a fish in each hill of corn," Stevenson says. "Making sure there is enough energy for farming has a good payoff ratio. Farming uses less than 5 percent of the nation's oil and 3 percent of the nation's gas. But with that vital percentage, we can produce the products to pay for 50 percent of the oil the nation needs to import. So food for crude makes sense." And if that opportunity knocks, Stevenson says Midwest farmers and their FS cooperative would be willing and able to answer the call.



On a billboard near its Kansas City office, Farmland Industries advertised that "food is a bargain."



St. Paul Federal Intermediate Credit Bank advertised that "farming is everybody's bread and butter" on bumper stickers.





Dairyman Inc., of Louisville, Ky., used its annual report to double as a calendar.

### Southern State's 50th: No Jack and Beanstalk Tale

Like Jack and the Beanstalk, Southern States Cooperative at Richmond, Va., also has its roots in seeds, although in alfalfa and clover, rather than bean, seeds. And instead of a golden egg, co-op members have reaped \$91 million in cash refunds over the past half century.

Appropriately, the cooperative's golden anniversary year has been its most successful.

Highlights include: volume is up 18 percent, to \$180 million; net savings after taxes total \$5.1 million; fertilizer volume is up 11.5 percent, to \$30 million; petroleum volume jumped 17 percent, to \$22.7 million; seed sales are up 31 percent, to \$12.6 million; egg marketing climbed 10 percent, to \$4.9 million. As further icing on the cake, the co-op's net worth has reached \$55.5 million.

### Texas Sweet Tooth Begets \$30 Million

The nucleus for a Texas sugar cane revival has been created by 115 sugar growers who formed Rio Grande Valley Sugar Growers Inc. They built a \$30 million processing plant near Santa Rosa. Chartered in 1970, the co-op planted 25 acres of cane as seed crop, added another 250 acres in 1971, then expanded to 2,500 acres for seed by 1972. By late 1973, they had 25,400 production acres of cane to grind into raw sugar. The cooperative has signed a contract to supply the only refinery in Texas.

### Agri-Trans: Birth of Co-op Navy

CF Industries President R.R. Baxter says fertilizer barge shipments are expected to increase five-fold during the next five years, so a barge-shipping cooperative is essential to long-range plans for improving service to member-owners and to reduce shipping costs. Agri-Trans Corporation is

an interregional transportation cooperative formed by six cooperatives to do just that. It ships nitrogen and phosphate fertilizer from CF Industries plants in Florida and Louisiana to the Upper Midwest. The ships return with members' grain, destined for Gulf Coast export facilities.

Grain cooperatives face similar transportation pressures, so it was natural for them to join CF Industries in forming Agri-Trans. Other initial owners include Farmer Grain Dealers Association of Iowa, Farmers Union Grain Terminal Association, Illinois Grain Corporation, Missouri Farmers Association and St. Louis Grain Corporation. CF will manage the firm, which gained its impetus from a study by the USDA Farmer Cooperative Service. The study explored the advantages of coordinating north-south flows of grain and bulk fertilizer.

### REA an Electrifying Experience

When USDA's Rural Electrification Administration (REA) was formed in 1935 to provide loans to finance farm electrical service, only 1 in every 10 farms had electrical service. How successful was this effort? Just 40 years later, 99 percent of farms have electrical service. There are more than 1,000 REA-financed rural electric systems serving rural America, including 977 cooperatives. Lines have been strung from above the Arctic Circle in Alaska to the Florida Keys and from Maine to the California desert.

### CCC Program Opened to Co-ops

Cooperative associations marketing grain — including barley, corn, oats, rye, sorghum and wheat — gained access to programs of the Commodity Credit Corporation (CCC) in 1977 on behalf of their members. They had earlier been approved to receive CCC loans on cotton, honey, rice and soybeans. Expansion of the program to feed grain and wheat growers gave

them the option of not taking a loan, taking a loan as an individual producer, or delivering grain to their CCC-approved cooperative for marketing. Marketing cooperatives handling these commodities were eligible to participate regardless of their size.

### Minnesota Co-ops Buy Volstead Home

Members of the Minnesota Association of Cooperatives (MAC) are joining community leaders to purchase the home of the late Congressman Andrew Volstead at Granite Falls, Minn. They plan to turn it into a museum as a tribute to his impact on the cooperative movement. The will be donated to the city. As chairman of the House Judiciary Committee, Volstead authored what is now known as the Capper-Volstead Act of 1922, which enabled farmers to jointly market their products without being prosecuted for antitrust violations. Museum preparations were expected to take two years.

### Cooperatives Ponder Bargaining Legislation

Concerns over shortcomings in the 1967 Agricultural Unfair Practices Act prompt discussions among managers of fruit and vegetable bargaining associations and legal experts about elements needed in new legislation. The act prohibited discrimination by a processor against a producer because of his membership in a bargaining cooperative or against the cooperative itself. The scope of the act was considered limited and enforcement machinery inadequate.

Elements of the Michigan Agricultural Marketing and Bargaining Act of 1973 are being studied. It, like the Sisk Bill later introduced in Congress, provided that accredited associations represent all producers (members and non-members) in the bargaining unit; all producers in the unit must pay marketing service fees to

an accredited association; mediation is optional, but arbitration is compulsory unless, within a given time, the processor elects not to purchase or the association decides not to sell the commodity to the processor. Both the bargaining cooperatives and processors were required to bargain in good faith.

### Torgerson Heads USDA's FCS

Dr. Randall Torgerson, a staff economist for the administrator of the Agricultural Marketing Service, has been named by Agriculture Secretary Earl Butz as administrator of Farmer Cooperative Service. He succeeds Dr. Ronald Knutson, who joined the faculty of Texas A & M University. Torgerson, a native of Wisconsin, directs the FCS research and technical assistance efforts of 60 agricultural economists and cooperative specialists. While teaching at the University of Missouri-Columbia, he was executive secretary of the Missouri Institute of Cooperatives and executive secretary of the university's Graduate Institute of Cooperative Leadership.

### Marketing Act Celebration Salutes Programs of FCS

The 1975 observance was dubbed a birthday party because it marked the 50th



Indiana Farm Bureau Cooperative Association marked its 50th anniversary and record sales of \$700 million by feeding an estimated 13,300 people in a 4.5-acre dining room.

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anniversary for the Cooperative Marketing Act of 1926. That legislation led to creation of USDA's Farmer Cooperative Service (FCS). Secretary of Agriculture Earl Butz says one of the greatest challenges of the cooperative movement is to focus on members' interests. "I think there is no better training ground for democracy in this country than in the self-management and operation of these cooperatives. That to me has been the great contribution that cooperatives have made in the past 50 years and I think it will be the greatest contribution they will make in the next 50 years."

Patrick Healy, secretary of the National Milk Producers Federation, calls FCS "A much needed voice within government, deeply appreciated by farmers. Its knowledge of cooperative activity is invaluable in setting the record straight and in countering relentless attacks on cooperatives..." Ken Naden, president of the National Council of Farmer Cooperatives, cites FCS for its business analysis work with cooperatives. He says no other government agency collects statistics and analyzed the books and the method capitalization and distribution of earnings of cooperatives. Dr. Randall Torgerson, FCS administrator, adds that while the agency is Washington-based, it stays close to the operating problems at the grass roots. Three predecessor FCS administrators join the celebration: Dr. Joseph Knapp, 1953-66; Dr. David Angeline, 1966-70, and Dr. Ronald Knutson, 1973-75.

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### Grain Co-ops Expand Storage, Processing

Regional and interregional grain marketing cooperatives are significantly expanding their storage and processing capacity. By 1976, nearly 60 percent of their grain marketings — or 1.6 million bushels — are headed for the export market. Storage capacity of 18 major grain cooperatives totals 400 million bushels, more than half at inland locations, 50 mil-

lion bushels on navigable rivers or the Great Lakes, and nearly 60 million bushels at sea ports.

Other improvements include new dust and pollution control equipment and new equipment to increase capacity to receive, condition and load grain — particularly at port terminals at Ama, La., Houston, Texas and Baltimore, Md. Hopper car usage for grain shipments to ports has also greatly expanded, as has the use of tank cars for shipping vegetable oil. Much of the grain shipped by regional is going by barge to port elevators near New Orleans and Portland.

Five Midwest regional grain cooperatives have now joined CF Industries, the interregional cooperative that manufactures and distributes fertilizer, to form Agri-Trans Corp., based near St. Louis. The firm uses seven towboats and nearly 200 barges to ship grain down the Mississippi River to New Orleans and return with fertilizer materials destined for Midwest regional cooperatives.

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### Riceland CEO Retires in Co-op's Record Year

As a swan song to the 1977 retirement of L.C. Carter, the co-op's president and chief executive officer, Riceland Foods at Stuttgart, Ark., handles a record volume of rice just as it was completing a major buildup of its rice division — increasing milling capacity by a third, doubling parboiling capacity, and adding about 15 million bushels of storage. Marking its 57th year of operations, Riceland's gross sales reached \$488 million. Returns to members for grain handled topped the preliminary national average price by \$33.9 million.

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### Farm Credit System Loans \$38 Billion

Farmers and their cooperatives received loans totaling \$38 billion in 1977 from the Farm Credit System, an increase of 11 percent from 1976. Gov. Don Wilkinson of

the Farm Credit Administration reported a record \$42 billion of loans outstanding. Banks for Cooperatives loans were up 9.2 percent to \$11.8 billion.

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### Agway Boosts Energy Savings

In an effort to encourage its member cooperatives to conserve energy, Agway Inc. of Syracuse, N.Y., has published a 40-page handbook outlining energy management steps and planning tips. The potentials for savings included many projects that require little or no investment. Topic areas included tractors, insulation, household appliances and tillage management.

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### School Class Functions as Co-op

Nearly 20 cooperatives have come and gone during the past five years at Richland Center, Wis. But financial trouble has not been the cause of their demise. All lasted only nine weeks because they were part of a seventh grade study on American industry at Richland Middle School. The project took place in an industrial arts class taught by Jerry Sims. It combined traditional shop skills with lessons on history, practices and problems of industry.

Students studied the four kinds of industrial ownership, including cooperatives. They formed a cooperative, bought a share of stock, planned, manufactured and marketed their shop projects: foot stools, plastic bowls, billfolds, coin holders, picture frames and stationery. Finally, they dissolved the cooperative and redeemed stock. Community support for the school cooperatives has been excellent.

"That's really why I went with a cooperative approach," Sims says. "The area's [cooperative orientation] dictates it." He had little knowledge or experience with cooperatives so he got information from the Wisconsin Federation of Cooperatives. "A lot came from local cooperative managers. They were fantastic." Sims says he



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is “pretty satisfied” with the program. It opens the students’ eyes. ...One of the biggest problems cooperatives have is education of youth, and this really shows students what cooperatives are.”

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### Holsum Foods: Farmer to Consumer Link

Member-produced products are moving through the marketing chain from farm to supermarket shelf for the first time, B.J. Malusky, president of Grain Terminal Association at St. Paul, tells participants at the grain marketing cooperative’s 39th annual meeting. He is speaking of the earlier purchase of Holsum Foods at Waukesha, Wis. It was folded into GTA’s Honeymead Division, a packer and processor of foods for the dinner table. The firm sells in 22 states through 40 brokers. During the past fiscal year, GTA handled 256 million bushels of grain and showed after-tax margins of \$7 million. Now, beginning with its 40th year, GTA will increase its cash patronage refunds from the required 20 percent to 30 percent.

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### Citrus Growers, Auto Maker Cooperate

Seald-Sweet Growers of Florida and the Japanese Toyota automaker have completed a historic trading action. When the automaker delivered its cargo to Jacksonville, Fla., aboard a new \$28 million vessel — the world’s first combination car and refrigerated cargo carrier — it

returned to Tokyo with 283,000 cartons of fresh Florida grapefruit and oranges. The shipment of 14 million individual fruits was the largest in the state’s history.

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### LOL Moves Into Beef Processing

A major dairy marketing cooperative has moved closer to becoming a total food company. Land O’Lakes (LOL) of Minneapolis has entered the red meat business by buying Spencer (Iowa) Foods in 1978. LOL soon adds the processing plant at Oakland, Iowa, owned by American Beef Packers, to boost the cooperative’s annual processing capacity to nearly 1.5 million head. President Ralph Hofstead says the purchases were made only after efforts failed to organize a “CF Industries” approach with other regionals.

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### Co-op Use of Subsidiaries Gains

Farmer cooperatives are increasingly using subsidiaries instead of divisions or departments to conduct some services. Of 80 large regionals reviewed, 58 had one or more subsidiaries in 1975-76. Eight cooperatives alone listed use of 195 subsidiaries.

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### Co-ops Facing Key Capital, Structure Issues

Capital formation, the structure of cooperative growth, expanding product markets and communications are key issues for cooperative leaders in the 1980s, says

Randall Torgerson, deputy administrator of USDA’s Economic, Statistical and Cooperative Service. “National issues such as adapting to an energy-short environment, wrestling with rural transportation problems, pricing commodities in thin markets and dealing with complex government regulations will continue, he says. “The decade can well become cooperative’s greatest growth period because of farmer and rancher awareness of the important structural role cooperatives play in maintaining access to markets for a dispersed agriculture. Primary areas of growth will be in exporting grain and oilseeds and establishing cooperatives in red meat processing and distribution. ■

## Mergers, Consolidations Change Look of U.S. Cooperatives



Members of Southern States Cooperative gather at one of 10 outlying locations to view a satellite-transmitted annual meeting program from its headquarters at Richmond, Va. Producers were able to quiz a management panel about aspects of the cooperative's activities.

### Mergers Hit Major Regionals

Financial conditions during the 1980s are fueling a string of mergers among the major regional cooperatives. The new GROWMARK Inc. Cooperative, formed through the merger of FS Services and Illinois Grain cooperative, is now led by

Glenn Webb, who had been vice president of the board. The cooperative's net margins in 1980 were \$43.8 million on sales of nearly \$1.5 billion. GROWMARK owns six grain terminals on the Illinois River, an inland terminal at Paxton, Ill., and an interest in Farmers Export Co., an interregional cooperative based near New Orleans.



This artwork illustrated the trend toward more farm mergers.

In the Minneapolis-St. Paul area, Midland Cooperatives has merged with Land O'Lakes Inc. (LOL) to form the second largest cooperative in the nation. Midland's 1980 sales were \$523.5 million, while LOL had \$3.3 billion in sales. LOL President Ralph Hofstad says the new organizations could save nearly \$7 million in administrative and operating costs. The bankrupt status of Energy Cooperative Inc., one of three interregionals in which the two Minnesota cooperatives had common membership, was a factor in the merger.

In another major co-op unification, Farmers Union Central Exchange (CENEX) has purchased the assets of Western Farmers Association (WFA) of Seattle, Wash., and consolidated the operations of Idaho-Best, based in Caldwell, Idaho. CENEX is now an Idaho feed supplier. WFA had been under federal bankruptcy act reorganization for two years. Its member cooperatives were eventually purchased by CENEX members.

California's Tri Valley Growers has assumed responsibility for the bankrupt California Cannery and Growers' (CCG) marketing inventories, leasing four facilities and adding 300 CCA growers. William Allewelt, Jr., Tri Valley president, says he is looking forward to an improved marketing picture, thanks in part to adverse weather that helped eliminate the canned fruit surplus that plagued markets in the past three years. Tri Valley sought to avoid liquidation of CCG's inventory and to provide market outlets for growers left without a home for their crop.

Members of both Ohio Farmers Grain and Supply and Landmark Inc., have approved unification of their regional co-ops to form Countrymark Inc., with sales of nearly \$1 billion and assets exceeding \$240 million. The action had no effect on the corporate status of the new cooperative's 136 locally owned and controlled member cooperatives in Ohio, Michigan and Indiana. Don Benschneider, former Landmark chairman, headed the new Countrymark board.

### Vertical Integration Key to Moroni

Moroni Feed Co. of Canpete County, Utah, is one of the few fully integrated turkey producing and marketing cooperatives in the United States. It has a turkey breeding farm, hatchery and feed mill plus a processing, packaging and freezing plant, fertilizer department and a disease diagnostic laboratory. Growers have maintained a profitable cooperative even though they are located between the mountains in the desert, which causes higher production costs, higher freight costs and lower turkey prices than competitors in most parts of the country. Turkeys are marketed through Norbest Inc., another Utah cooperative.

### Poultry Producers Seek Collective Bargaining

In response to many years of being caught in the "vice" between an increasingly concentrated processing industry and rising production costs, broiler producers on the Mid-Atlantic's Delmarva peninsula have formed the Peninsula Poultry Growers Association (PPGA). Producers expected PPGA to enable them to collectively bargain with the processors. The number of processors in the region declined from more than 100 in the 1930s to the current 10. Nationwide, 20 of the 60 processors produce 60 percent of all dressed poultry.

### 'Those Who Show Up' Control Co-op

A Wisconsin dairy farmer and president of Consolidated Badger Cooperative tells delegates at the co-op's annual meeting that the world and all organizations are run by those who are interested and committed — or "by those who show up. Our business of producing and marketing milk is very competitive," says John Malcheski. Despite our efficiency, that will not guarantee us a fair share of the income we need to keep us free and in control of our destiny. This can only be done when we, as farmers, involve ourselves beyond our farms. As we look to the future, needed changes will be made by those who show up."

### California Fruit, Nut Co-ops Form Sun-Diamond

Three California cooperatives have formed a common marketing cooperative: Sun-Diamond Growers. Members are Diamond Walnut Growers, Sun-Maid Growers (raisins) and Sunsweet Growers (prunes). The marketing agreement is expected to improve grower members' crop returns through savings and efficiency in selling a diversified line of dried fruits and nuts. "Challenges from giant conglomerates entering the food processing field places stresses on the limited resources of our farmer enterprises," says William Dabney, Sun-Diamond's president.

### Co-op Development Training Center Opens

Nineteen students are participating in the first, one-week classes opening the National Cooperative Development Training Center at the University of Georgia in Athens in 1981. The center is an adjunct to the cooperative development division in USDA's Agricultural Cooperative Service(ACS). The ACS program assists new cooperative directors and managers to develop successful businesses.

### Farmers Export Revamps After Losses

Suffering from financial losses estimated at \$40.9 million in 1981, Farmers Export Co., the export marketing arm of Midwest regional grain cooperatives, has reorganized. It has sold the Galveston elevator to Far-Mar-Co, sold lease holdings in Philadelphia, lost six of its 12 member cooperatives, scaled down its headquarters staff and closed offices in Portland, Ore. and Tokyo.

### Reluctance to Unite a Major Flaw

"We aren't as big as the major corporations with whom we must compete, but if we don't grow, we can't provide the benefits our members expect," says Sigved Sampson, recently retired president of Midland Cooperatives, headquartered in Minneapolis-St. Paul. Based on his 41 years with Midland, he contends that a major flaw of cooperatives is their reluctance to unite to find solutions to their problems. He urges haste in unifying the nation's too-fragmented network of cooperatives.

Sampson also is concerned about trans-



Cover art from "The Next Greatest Thing," a photo history book produced to mark the 50th anniversary of U.S. rural electric cooperatives. Here, the joyous day arrives when a High Plains farm family is "hooked up" with electric power.



ferring ownership of a cooperative from one generation to another. "No farm supply cooperative in the country has fully resolved it. And as co-ops become larger and more capital intensive, and farmers become fewer in number but larger in size, this ownership transfer problem will become more acute, burdensome and complicated. We've got to figure out how to transfer ownership from the generation that is retiring to the one now using the co-op."

### Knutson: "Commit to Co-ops or Loose Control"

Young farmers have only two choices today. Join the corporate structure and "relinquish all control," or commit to the cooperative system, cautions Ronald Knutson, professor of marketing and policy at Texas A & M University. Take an activist role in cooperatives or neither of you will survive the 1980s, he told 228 young farmers from across the nation who are attending the 1982 National Institute on Cooperative Education.



A tank lid seems to float over one of three, 700,000-gallon grape juice storage tanks being constructed for Welch Foods in Pennsylvania prior to the 1983 season.

Also addressing the institute, Ken Baer, chief executive officer of GROW-MARK Inc., at Bloomington, Ill., says the time has come to deal with the reality that farmers account for only 3 percent of the population and many of their cooperatives have fallen on hard times. "After many years of financial growth through the use of debt, farmers may face the need to write some checks and infuse added equity to preserve their cooperatives."

### Consumer Co-op Bank Gains Independence

The National Consumer Cooperative Bank of Washington, D.C., has been privatized by new legislation passed by Congress and approved by the president. Government equity has been converted to a



This dove was used to symbolize the Food for Peace program using PL 480 funds to foster humanitarian aid and developing long-term export markets.

loan to the bank and ownership turned over to members. Directors, elected by member cooperatives, have replaced government-appointed board members. The president will continue to appoint a small business representative and two other directors to the 15-member board.

### Gold Kist's Gaston Boosts Co-op Exports

"There may be no tomorrow for co-ops in exports unless we pull together," warns William Gaston, president of Gold Kist Inc., Atlanta, Ga. Speaking during the international development program at the 1983 National Institute on Cooperative Education, Gaston says, "Make no mistake, cooperatives have lost ground in recent years, if not in volume, certainly in prestige."

Speaking also as chairman of Toepfer International, a North American and European cooperative-owned trading company, Gaston urges other commodity cooperatives to join Toepfer and expand their marketing programs via exports. "If we make up our minds today that we are all going to do something to improve our international trade efforts, we can make it happen. Our cooperatives will be stronger for it, and so will our patrons."

### Involve Young Farmers in Co-op Activities

Educating young farmers and young farm couples on cooperative principles and practices is vital to bolster their support of cooperatives, a University of Georgia study shows. An educational program should emphasize two-way communication between cooperative officers and young farmer-members and needs to be developed at the grassroots level.

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## Block Vows to Protect Co-ops

Agriculture Secretary John Block says cooperatives are so important to American agriculture that the USDA will work to protect them by “assuming a strong policy making role concerning any government legislation or regulations” affecting them. Speaking at the 1981 annual meeting of the Cooperative League of the USA, Block says there are those who would attempt to “weaken” cooperatives. “But I pledge to you ... that we will not allow them to be weakened. I will work to support them.”

To fortify agriculture, “it is imperative we work to maintain and strengthen the financial base of our nation’s agricultural cooperatives,” Block says. He encourages farm and consumer cooperatives to work together to strengthen the free market. While farming in Illinois, Block was an active patron and director of his local Spoon River FS cooperative.

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## Minnesota Co-op Stretches Corn Value

Minnesota Corn Processors (MCP) has opened a \$40 million corn wet milling plant at Marshall that derived syrup, starch and feed byproducts from corn. St. Paul Farm Credit Banks were the major lenders for the project. In later years, many will point to this co-op as showing the way for a surge of new cooperatives formed to add value to members’ farm commodities.

President Richard Jurgenson notes that “for too long, we’ve depended upon government programs or some other outside help to keep us solvent. Having the opportunity to generate a better net return from each bushel of corn without government help just makes sense to me.” In the initial equity drive, he recalls, the first \$1.5 million was committed by producers in only three days. But the rest of the needed investments didn’t come so easy. “We hit stonewalls

often — but refused to quit.” Nearly 2,100 producers for 18 counties initially agreed to a 5,000-bushel membership contract (at \$21.41 per bushel). The plant handles about 11 million bushels annually, translating to 350 million pounds of products.

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## Bergland: “Commitment Means Staying Power”

“Commitment means staying power,” says Bob Bergland, president of the National Rural Electric Cooperative Association and keynote speaker at the 1984 National Insti-



*Farmland Industries used its Co-op Video Network studio to prepare videotapes for use at farmer meetings.*

tute on Cooperative Education. "We have it. We have strong, bright and dedicated young people. It's just a matter of putting it all together. What you do with the power is up to you. The choice is yours."

He urges more cooperative involvement in the international scene. "You can't walk away from it. There is a tremendous opportunity for cooperatives to help developing countries get on their feet so they can pay their own way." In recalling his father's involvement in organizing Minnesota cooperatives, Bergland

points to the need for change among existing organizations. Many small co-ops need to expand, merge or consolidate, he says.

### Cooperation Restores Rail Line Service

When Illinois Central Gulf Railroad imposed a 70-ton-per-car limit on a 63-mile branch line in 1977, it effectively blocked use of efficient 100-ton hopper. That sparked six shippers on the line, including four member cooperatives, to

form the Bloomer Line Connecting Railway Co., which bought and operates the rail line. Robert Graves, director of traffic for FS Services (now GROWMARK) — to which the four co-ops belonged — advanced the case before the Interstate Commerce Commission.

A 32-mile rail line was opened for operation and interconnection with the Norfolk Southern Railroad in 1985, after extensive refurbishing. Federal and state funding sources were used in this effort. Further work that year opened an interconnection with the Santa Fe Railroad, followed by further refurbishing on the northern link and an interconnection with Illinois Central Gulf. About 90 percent of the annual loadings — including grain, fertilizer and miscellaneous products, such as lumber — are expected to come from the cooperatives.

"We couldn't possibly have accomplished this and at the price we did if starting today," says Leo Smith, line chairman and manager of Anchor Grain. He credits the success of the effort to lucky timing in protesting the service disruption and "the cooperative spirit among our members, which has made it possible to achieve our common goal: restoring rail service."

### Andreas: Use Trade, Food Aid to Douse Prairie Fire

A tougher trade policy and a substantial increase in the Food for Peace (PL 480) Program can help "end the depression sweeping like a prairie fire across the nation's heartland," says Dwayne Andreas, chairman of Archer Daniels Midland, Decatur, Ill. Addressing the 1986 annual meeting of the National Council of Farmer Cooperatives, Andreas says the U.S. government must convince "mercantile governments" that their policies of dumping surplus agricultural products in world markets at below-cost prices "are not always in anyone's best interests."

Despite budget pressures, the government should double the \$2.5 billion



*A towboat steers a fertilizer-laden barge toward dock at a Midwest storage warehouse owned by CF Industries, an inter-regional manufacturing and distributing cooperative.*



planned for the PL 480 program for the next five years, he says, because it would save \$4.5 billion in price support expenditures and expand farm export markets. It will also "add jobs for workers in processing, trucking, shipping and related industries." That, in turn, would generate \$300 million in new tax revenue, he says.

### Pressure Seen to Merge, Consolidate Co-ops

Given the restructuring in agriculture and agribusiness, cooperatives must seriously consider merger or consolidation, Don Sands, president of Gold Kist Inc. says in keynote remarks at the 1986 Eastern Member Relations Conference. He says restructuring "will bring about more changes in the next three to five years than we have seen in the past 20. Change not only can be challenging, exciting and rewarding, but also frightening, extremely stressful and even depressing."

Sands tells the conferees: "Consolidation or merger should be pursued in most parts of the United States. There is no justification for the intricate web of more than 5,000 farmer cooperatives existing today...History tells us co-ops merge only when participants are on their death bed. Rather than merge small, sick companies to create one large, sick cooperative, why not explore consolidation where all partners are relatively strong?"

Mergers and consolidations in the Farm Credit System were discussed for five years, he says, "but nothing happened until the entire system nearly collapsed under the greatest losses in banking industry history. I don't think members' interests were being served," he says. "It will be many years before the system regains its strength." As an indication of impending changes, he cites a Congressional Office of Technology study that says by the year 2000, animal and plant production will be revolutionized by biotech and infotech.

### FCS Losses Down, Still Heavy

Although combined results for the Farm Credit System (FCS) in fiscal 1986 showed a net loss of \$1.913 billion, the crisis showed some easing compared with 1985

losses of \$2.689 billion. New loans are also down from \$66.6 billion to \$54.6 billion. Other property, primarily from foreclosures, has increased to \$1.101 billion, up from \$928 million. The system's total capital dropped \$2.7 billion, to \$5.6 billion.



*A bountiful fall corn crop is harvested near Aurora, Neb., against the backdrop of a CF Industries anhydrous ammonia storage terminal.*



*The USDA Agricultural Cooperative Service booth attracts attention at the 1987 National Institute on Cooperative Education.*

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## Acceptance of Co-op Business Growing

The future for cooperative activity in both domestic and international arenas is strong and growing, says Robert Scherer, new president of the National Cooperative Business Association (NCBA), in his first report to the membership. Given the new emphasis on cooperative business, Scherer says NCBA must be prepared to network with the entire business community. "We are proud to be called cooperatives. They are being formed by businesses long thought of as being anti-cooperative....We should be proud of that trend."

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## Torgerson Sees Return to Early Co-op Zeal

"Despite being in the most economically disruptive period in a half century, family farmers and their cooperatives remain a major force in agriculture (and) ... are positioned well to exploit their future in the years ahead," observes Randall Torgerson, administrator for USDA's Agricultural Cooperative Service, in remarks to the 1987 Eastern Member Relations Conference.

He urges the conferees to "take a hard look at cooperative education and training programs in view of the aloof and doubtful attitude of many young farm couples toward cooperatives. "We need to reemphasize public and private roles of teaching about cooperatives as unique institutions and the responsibilities of all participants, including chief executive officers, staff, directors and members."

Torgerson called for a "return to the early zeal that led to the formation of cooperatives. "Let's build the fervor and excitement that accompanies the discovery of mutual interest; use the cooperative business form to enhance members' competitiveness in domestic and international markets and emphasize the positive in our outlook and discussions."



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## Manage Industry or Face Price Cuts

Either work together in solving industry problems or risk having someone else do it who is less interested in your well-being, Jim Barr, chief executive officer of the National Milk Producers Federation, tells delegates at its 71st annual convention. "We must choose whether we want to manage our production as an industry or whether we want it managed for us through price cuts. If we fail to choose, the decision will be made for us."

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## Co-ops Increase Clout in Processing Soybeans

Soybean processing plants in the upper Midwest owned by Farmland Industries Inc., Land O'Lakes Inc., and Boone Valley Cooperative Processing Association have combined into a new cooperative, Ag Processing Inc., based at Omaha, Neb. The combined organization represents about 9 percent of the nation's soybean processing capacity. It has assets of about \$160 million and a sales base exceeding \$1 billion.

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## Strong Family Farms, Co-ops on Horizon: NCFC's Naden

Stronger family farms, maybe organized as corporations, will emerge from the present trend toward specialization on the farm, higher cash cost and fewer cooperative

members in the next 20 years. This will trigger a need for stronger cooperatives, predicts Kenneth Naden on the eve of his retirement after 19 years at the helm of the National Council of Farmer Cooperatives.

"Cooperatives can achieve growth in share of market and market power by improving all phases of their operations, finances and member relations. They can gain a greater share if more existing members use their cooperatives and still others join a cooperative... (to) gain a greater share of the market," he says.

Encouraging more farmers to buy their supplies and market their products through cooperatives and providing much needed capital is tied to "finding a program that works to implement basic cooperative principles. Among recent legislative gains, Naden cites a cooperative amendment to the Federal Trade Commission (FTC) authorization bill banning FTC investigations of agricultural marketing orders and conference language reaffirming authority of the Capper-Volstead Act. Another legislative victory he cites is passage of the Farm Credit Act amendments that provide financing of cooperative exports, more liberal lending policies for young farmers, and re-establishing the Agricultural Cooperatives Service as a separate USDA agency.

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## Antitrust Commission Eyes Modifications to Volstead Act

Two modifications regarding the Capper-Volstead Act have been recommended to the National Commission for Review of Antitrust Laws and Procedures. The first proposal is that agreements among cooperatives — such as mergers and marketing agencies in common — should not be allowed if competition is substantially decreased. The other proposal would redefine the "undue price enhancement" term in the Act and make enforcement separate from USDA's cooperative promotional responsibilities.

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## Farmland Foods Among Top 10 Hog Processors

Farmland Foods, a subsidiary of Farmland Industries Inc., at Kansas City, Mo., is now among the nation's top 10 hog processors. Chairman Gordon Leith reports that sales topped \$647 million. Savings of nearly \$14 million resulted in refunds, averaging \$4.69 a head for hogs and \$4.92 a head for cattle for the 11,000 hog and cattle producer-members.

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## Ag Co-op Earnings Up Dramatically

Reflecting the general trend of agriculture in the mid-to-late 1980s, the nation's major agricultural cooperatives are striving to use their resources more efficiently, are eliminating operational duplication and redeploying assets. The Agricultural Cooperative Service's annual survey of the nation's 100 largest cooperatives also shows that they are consolidating to improve plant operating efficiency, provide less-costly farm supplies or enhance marketing services for members. Management staffs are being reduced, personnel pruned and unprofitable departments closed. Overhead and operating expenses are being slashed and tighter control is being maintained over inventories.

Total revenue for the top 100 co-ops rose 1.6 percent, to \$43 billion; net margins before losses increased 60.4 percent, to

\$756 million; net losses dropped dramatically from \$272.4 million to \$38.7 million; total assets climbed 2.4 percent, to \$15.9 billion; and member equity increased 6.6 percent, to \$6 billion. Five of the nine cooperative commodity groups had higher revenues in 1987, the largest gains being in the fruit/vegetable and dairy groups. The poultry and livestock groups showed the largest drop in revenues.

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## National Bank for Co-ops Formed

A new National Bank for Cooperatives has been formed, resulting from the combination of 8 of 12 district banks and the Central Bank for Cooperatives (CBC). The bank, formed in 1989, has authority to serve agricultural cooperatives, rural utility systems and eligible associations throughout the United States. W. Malcom Harding, former CBC president, has been chosen new chief executive officer and Douglas Sims, president of the St. Louis Farm Credit Board, as chief operating officer. The merger plan was developed by a special committee after Congress approved the Agriculture Credit Act of 1987.

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## Watch Activity in Five Areas, Leaders Caution

Speakers at the 1989 annual meeting of the National Council of Farmer Cooperatives are cautioning cooperative leaders to

carefully follow activity in five areas with the potential to have detrimental or beneficial impacts on their organizations. These include: 1) new attempts to reduce the federal deficit; 2) implications of leveraged buyouts occurring with increasing frequency in the business world; 3) resolution of issues and problems in international trade; 4) changing consumer attitudes and preferences; and 5) rural economic development initiatives. New leadership in the nation's Capitol is expected to develop new solution alternatives, speakers advised. And the impact of those alternatives on agriculture and cooperatives needs to be carefully assessed.

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## CoBank Formation Proves Fruitful

In its first year of operation, CoBank formed through the merger of 11 of the 13 district banks for cooperatives, proved fruitful. It has improved operations, to the benefit of member cooperatives and their farmer-owners, says W. M. Harding, bank president. "We reduced costs, assured rural America of the existence of a strong cooperative bank and strengthened member control." Net income for 1989 of \$92.95 million was up 35 percent from 1988. ■



## Hallmarks of the '90s: Merger-Mania and Co-op Fever

### Lack of Dairy Consolidations Hurts Farmers

After 31 years as a director, including 15 years as chairman at Wisconsin Dairies Cooperative, Herb Selbrede laments the lack of consolidations among dairy cooperatives in his state. "It [industry consolidation] should have happened," he says, but divisions in the country and among directors and managers prevented it. Some farmers think competition keeps prices up, he says, "but competition also costs you a lot of money." So both in the country and political arena, producers are still failing to reach a consensus so they can speak with a unified voice, he adds. "The one thing that has helped us over the years with mergers has been that we share information. We lay all issues on the table so everyone knows what we're doing."

### Co-op Restructuring Lead Issue for 1990s

Cooperative directors and managers believe cooperative restructuring is the single largest issue facing them, accord-

ing to a survey conducted at the Arthur Capper Cooperative Center. David Barton, the center's director, says it is clearly the most important business and economic issue co-ops will face in the 1990s. Research at Kansas State University indicates that the most efficient and profitable size for cooperatives in Kansas is much larger than existing sizes. Substantial economies of scale appear to exist up to (at least) sales of up to \$30 million. The typical current operation has sales of \$7 million.

Politics is the root cause for the predominance of small cooperatives, Barton said.

"Cooperatives will not achieve their full potential to provide economic benefit to patrons until patrons are convinced and agree that this benefit is achievable and more important than alternative benefits," Barton said.

### Social Issues Challenge Co-ops

Growing activism in the United States over social issues such as the environment, animal rights, food safety and employee health are challenging cooperatives, Jim-

my Loftis, member relations director for Gold Kist, tells participants at the 1990 Eastern Member Relations Conference. He cites these potential danger areas for cooperatives: pesticides on fruits and vegetables; antibiotics and hormones in livestock production; hazardous waste disposal; employee health concerns — including injury claims from repetitive motions in processing; and protests at broiler houses, testing laboratories and feedlots by animal rights advocates. "What is your plan? How will you respond?"

### Emerging Technology to Impact Dairying

Members should take a broader view of emerging technology that will be a "mover and shaker" of our economy long after we're gone, Dairylea President Clyde Rutherford cautions.

These new technologies will be a predominant force in the 1990s, he says, stressing that "pieces of this technology may be the only answer to remaining competitive in an era of upsizing farms," he said.

### Growth on NCBA's 75th Horizon

At age 75, the National Cooperative Business Association (NCBA) has gained stature in four areas: 1) government affairs; 2) membership; 3) international cooperative development; and 4) domes-



Dairy farmers Clark and Joy Vilter, members of Golden Guernsey, Milwaukee, Wis. USDA Photo by Ken Hammond.



Dave Studebaker, Haven Cooperative, Haven Kan. USDA Photo by Dan Campbell.



tic cooperative development. Chairman Rod Nilsestuen characterizes NCBA's role as being the "common ground for joint action for all cooperatives. We provide services that a single cooperative or association can't...build relationships with professionals in other organizations and thereby broaden our membership base and corresponding income."

President Robert Scherer details NCBA's diverse interests, which include supporting cooperative financial institutions and promoting cooperative development in agriculture, housing, financial services, health care and education. NCBA is helping shape national standards for organically grown produce certification and exploring services for urban cooperatives in child care and health care and initiating a trade and business development center for Eastern Europe.

### Indiana Co-op, Countrymark Launch Joint Venture

After a year of common management, Indiana Farm Bureau Cooperative Association and Countrymark Inc. have formed a joint venture for their regional cooperative farm supply and grain marketing interests. This action has been taken in response to tight economic conditions in agriculture. The co-ops had combined sales in 1990 of \$2.4 billion and net income of \$9.55 million. Total assets are \$428.4 million and long-term debt is \$67 million. In its Ohio-Michigan territory, Countrymark had 117 member cooperatives and 22 farm centers. IFBCA had 57 member cooperatives in Indiana. Eight member cooperatives belonged to

both regionals. Real economies of scale resulting from the merger will occur in fiscal 1992.

### Squeezing More Profit from Sugar Beets

An \$18 million, one-of-a-kind operation for extracting sugar and other products from sugar beets has been built at Renville, Minn., by Southern Minnesota Beet Sugar Cooperative. It processes 175,000 tons of pure beet sugar, 82,000 tons of beet pulp pellets and 80,000 tons of beet molasses annually. The pellets are fed to dairy and beef cattle and sheep while beet molasses is used for the phar-

maceutical and liquid feed businesses. In looking ahead, President Irvin Zitterkopf observes: "The future of the cooperative and the industry in this area rests on the continued willingness of growers and employees to use these changes."

### Merger Equals Survival in Indiana

Dean Kaesebier, La Porte County (Indiana) Farm Bureau Cooperative's manager of 12 years, has guided his local cooperative's combination with two neighboring co-ops during a 20-month period. As a result, sales have tripled to \$56.5 million, with \$36.1 million of that amount derived from grain marketing.



Olivia Hernandez, second from left, and her daughters, who were organizing a dairy goat cooperative in Redford, Texas. USDA Photo by Larry Rana

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“The merger affected patrons, employees and the cooperatives differently,” he says. “In today’s market, merger becomes a matter of survival.” He offers these merger tips: blend employees by moving some from one cooperative to another; avoid getting entangled in small details and be sure to force the right thing. Two cooperatives can’t merge unless one agrees to give up control, he notes. Branch offices must be staffed with capable people who have power to solve problems. That keeps solutions closer to the members being served.

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### Colorado Co-op Grows Rapidly

Consolidations and a merger have put American Pride Co-op at Brighton, Colo., on the crest of a wave that’s building a \$20-million operation with 6,000 members. The co-op’s sales volume has nearly tripled in just four years. Al Shively, who has managed the Colorado cooperative since 1987, is also a director and officer of Farmland Industries. A competent staff is one of the keys to absorbing businesses, Shively says. “I’m not afraid to hire good people. It makes for a good coop-

erative. That’s why we have five former local managers from elsewhere in the Farmland system. Each manages one of our divisions. They bring in a lot of ideas and expertise.”

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### Farmland Acquires Union Equity

Union Equity Cooperative Exchange (EU), the Oklahoma-based grain marketing cooperative, has become the grain division of Farmland Industries and boosted unified sales to \$4.7 billion. Far-Mar-Co, Farmland’s grain marketing subsidiary until 1985, had previously been sold to EU. All of EU’s 434 member cooperatives were also members of Farmland. Due to rapid changes in the grain industry, such as the federal government’s exit from the grain storage business, EU had cut its workforce 40 percent and closed seven terminals.

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### Qualla Markets Cherokee Crafts

Qualla Arts and Crafts Mutual, operating on the Cherokee Indian Qualla Boundary reservation in North Carolina,

markets the crafts produced by the Eastern Band of Cherokees. Sales in 1991 exceeded \$750,000, an important source of income for the co-op’s 300 members.

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### New Co-op Center in North Dakota

A center for cooperatives at North Dakota State University at Fargo has been named after the late U.S. Sen. Quentin Burdick, a strong supporter of cooperatives and rural issues. David Cobia, professor of agricultural economics at the university, is acting director. It will serve as a resource center for cooperatives and members and work to increase understanding of cooperative businesses and their economic role.

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### CRI Co-op Unites Dairy Interests

A member-owned holding company, Cooperative Resources International, has been formed by two major Wisconsin cooperatives associated with the dairy industry. The restructuring by 21st Century Genetics and Wisconsin Dairy Herd Improvement Association will benefit more than half of the state’s 30,000 dairy producers by controlling costs and improving services. It’s the first link between a herd improvement association and a provider of artificial insemination services.

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### Packing Shed a Boon to Vegetable Growers

Opening a new \$100,000 packing shed in Petal, Miss., was a big step for Indian Spring Farmers Association in 1993. Annual sales for the 40-member vegetable growers cooperative, formed in the 1960s, are expected to hit \$1 million in a few short years. The cooperative had been field packing or renting space in a state-owned packing facility. Its first contract for a value-added product packed with new equipment was with a Minnesota-based food service company for weekly



Rancher Ken Dillingham, Hawaii Cattle Producers Cooperative Association, Hilo, Hawaii. USDA Photo by Dan Campbell



shipments of 5,000 bags of two-pound cut and washed collard greens. It is hoped that cooperative such as this can help preserve black farmers in the South.

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### Hawaiian Co-op Took 25 Years to Brew

After 25 years in the brewing stage, competing coffee growers on the island of Hawaii have merged, forming the new Kona Pacific Farmers Cooperative in order to gain more market clout and possibly stabilize or reverse a trend of diminishing market share. Growers in both cooperatives produce gourmet Kona coffee and macadamia nuts. The merger was prompted in part by steep drops in coffee and macadamia nut prices. The board now requires new members to sign a marketing agreement to deliver all their crop to the cooperative.

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### Rural Women Gain from Craft Co-op

The Watermark Association of Artisans operating out of Camden, N.C., is an example of what the rural poor can accomplish through a cooperative approach to business and life.

The craft cooperative has carved an ever-widening market niche in a highly competitive crafts trade and provided training to members to improve or learn craft-making skills. Hundreds of rural women in North Carolina gained not only a source of income but also a new sense of accomplishment. Formed in 1978 by 35 women who pooled efforts to sell crafts, the cooperative had grown to 750 by 1993 and their products are being sold around the world.

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### Bergland: Spread Rural Job Base

Instead of states fighting each other for "the newest manufacturing plant and its 10,000 jobs, America should be looking to create a new job at 10,000 different places," says Bob Bergland, president of

the National Rural Electric Cooperative Association and former U.S. secretary of agriculture. Speaking at the Eastern Member Relations Conference, Bergland says if 10,000 firms which currently employ two people each have the economic incentive to expand to three employees each, the rural economy of the entire nation benefits, not just one lucky town or county that wins a new manufacturing plant. It will take a private and public partnership to create conditions that pave the way for a stronger rural economy, he says.

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### Co-op Fever Erupts on Northern Plains

There's a fever erupting on the Northern Plains that's being driven by a major resurgence of producers seeking to add value to their crops and livestock via cooperatives.

They represent attempts to answer problems identified during the agricultural downturn of the 1980s. One of the early successes was Dakota Growers Pasta Co., formed by Northern Plains durum wheat growers. Members invested an

average \$14,000 in risk capital, demonstrating their commitment to the cooperative. The new processing plant — featuring the cooperative's own brand name of pasta products — was met with widespread success in the retail marketplace. The pasta co-op has sparked the creation of other cooperative efforts, such as the North American Bison Cooperative, Northern Corn Processors Cooperative and Northern Plains Organic Cooperative.

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### Minnesota Co-ops Spark Rural Resurgence

Bumper crops from the 1994 season hold ever-greater promise for rural communities in Minnesota because of the resurgence of new cooperatives which can absorb the production. Instead of simply selling the raw materials their crops represent, producers are forming value-added cooperatives to generate an increasing share of the consumer food dollar. Agricultural economists say the plants are part of a new wave that will reshape the food system.

Farmers and rural residents have



*Doc Throlson, North American Bison Cooperative, New Rockford, N.D. USDA Photo by Dan Campbell*



invested at least \$1 billion of new capital in new plants at various stages of development in Minnesota, Wisconsin and the Dakotas. They range in size from a \$245 million corn sweetener plant planned for the Red River Valley to small marketing co-ops for organically grown vegetables in Wisconsin and to process and market farm-raised venison in Minnesota. Rural communities are benefitting from the economic stimulus new cooperatives generate.

### Consolidations Drive New Foremost

The number of Wisconsin dairy farms has plunged from 143,000 in 1950 to 30,150 in 1992. This trend set the stage for the con-

solidation of Wisconsin Dairies at Baraboo and Golden Guernsey at Milwaukee to form the new Foremost Farms USA. The new cooperative has 5,500 members and sales of \$778 million. Cheese production accounts for nearly 72 percent of Wisconsin Dairies' sales. Subsequently, the Mid States region of Associated Milk Producers Inc., merged with Foremost.

### Co-ops Urged to Pursue Food Processing Projects

A Minnesota agribusiness manager dreams of building a cooperative that ranks among the nation's major food marketers. Lamenting the lack of significant

cooperative presence among major U.S. food companies is Joe Famalette, president and chief executive officer of American Crystal Sugar Co. "Why don't growers own more of the U.S. food chain? Agriculture in America has to change and the sooner the better. ...We are not just growers and producers. We are food processors," he asserts.

### ValAdCo: Bringing Home the Bacon

A swine breeding cooperative, ValAdCo, which adds value to corn crops, was opened in Renville, Minn., with 38 grower members. Its first farm, a 1,250-sow operation, began selling barrows and gilts



Ben Burkett, Indian Springs Farmers Association, Petal, Miss. USDA Photo by Ken Hammond



Velma Cardwell, Cabin Creek Quilters Cooperative, Charleston, W.V. USDA Photo by Ken Hammond



Sharon Begay, president of Dine Be lina (Lifeway of the People), a Navajo craft cooperative in Arizona. USDA Photo by Ken Hammond





in 1993. A 2,500-sow multiplier unit was added 1995. The two farms were expected to produce 76,000 animals annually. Val-AdCo and Cooperative Country Farmers Elevator later constructed a 10,000-ton-a-year feed mill, with potential to expand. It provides feed for a new 2-million-hen egg-laying facility owned jointly by the elevator and a private firm.

### California Gold Brand Pays Off

After years of supplying the market with bulk dairy products, the board of California Cooperative Creamery at Petaluma entered into the branded cheese market with its "California Gold" label and found a needed spark to rejuvenate the cooperative. After a decade of limited growth, membership climbed from 320 to nearly 500 and sales jumped from \$220 million to \$450 million. Its cheeses are now found in stores around the state and even in Japan and Mexico.

### Blue Diamond Still Going Global

Walt Payne advises cooperators to continue to "think global." As the new chief executive officer of Blue Diamond Growers, he knows what that entails, since his cooperative exports almonds to 100 countries. "Each market has a unique development story. You really can't develop a cookie cutter approach to export market development," Payne says. "You must do your homework to identify your market opportunities and then channel what will work for you in that country."

### California Co-ops Celebrate a Century

Two California marketing cooperatives marked their 100th birthdays during the 1990s. Danish Creamery Association (DCA) at Fresno is the oldest continually operated cooperative, and its still going strong, with 1995 sales of \$210 million. Butter and dried milk are marketed by DCA. It has a majority interest in Challenge Dairy Products Inc. Also turning 100 is the Sunkist Growers citrus cooperative. From humble roots in 1893, with 60 struggling citrus members, Sunkist has blossomed into a \$1-billion-a-year cooperative with 6,500 members in California and Arizona.

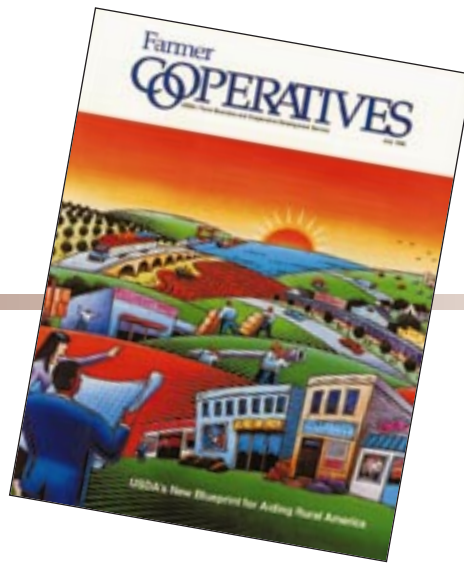
### United Sugars Eyes Market Clout

Three Upper Midwest sugar beet grower cooperatives have formed United Sugars Corp., a marketing agency in common. It will market 100 percent of the sugar the co-ops produce in seven factories. Partners are American Crystal Sugar, Minn-Dak Farmers Cooperative and Minnesota Beet Sugar Cooperative. Other than for sugar marketing, each cooperative remains autonomous. United has become the nation's fourth largest sugar supplier, with annual marketings of about \$800 million.



Elsie Martinez, Ramah Navajo Weavers Association, Ramah, N.M. USDA Photo by Ken Hammond



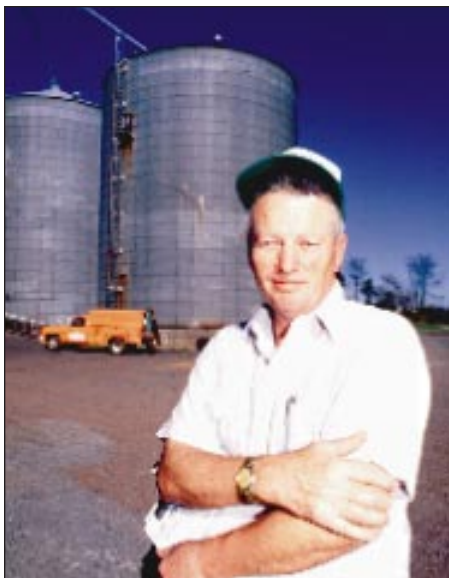


### NCBA Forms Development Institute

National Cooperative Business Association has created the CLUSA Institute for Cooperative Development to act as a catalyst for building and sustaining partnerships among its members and other organizations to promote economic development through cooperatives in the United States and overseas. The mission seeks to replicate successful cooperatives.

### Tree Top Sprouts Record Earnings

Tree Top, the apple and pear marketing cooperative based at Selah, Wash., is marking fiscal 1996 with record earnings of \$49.4 million, topping its previous 1995



Kerry Kennedy, production manager of the Culpepper (Va.) Farmers Cooperative. USDA Photo by Ken Hammond

record of \$34.6 million. Total proceeds include \$3.5 million in profit, which reflects the earnings members receive above the average cash market. Annual sales have dipped from \$229.9 million in 1995 to \$218.4 million in 1996 as did tonnage, although supply was greater than anticipated. For the first time in many years, the cooperative received more than 50 percent of the Washington state apple crop.

### Co-ops Cautious Toward Ethanol Fuel Projects

Despite the general enthusiasm for renewable energy from the heartland and cooperative involvement in the subsidized ethanol industry, the pace has been slow and cautious. The St. Paul Bank for Cooperatives, which has been assessing the viability of ethanol projects for 15 years, finances only a few. Some 42 plants produced 1.54 billion gallons of ethanol in 1996, up substantially from the 1979 production of 20 million gallons.

### Ocean Spray Cranberry Opens Research Center

An agricultural research center with all the components of an agricultural experiment station has been opened by Ocean Spray Cranberries at its new headquarters site at Lakeville-Middleboro, Mass. The new center enables Ocean Spray to conduct flexible, problem-solving research in seeking solutions to problems facing today's cranberry industry. Since its founding, Ocean Spray had been based at historic Plymouth, Mass.

### Hedge-to-Arrive Contracts Snare Some Grain Co-ops

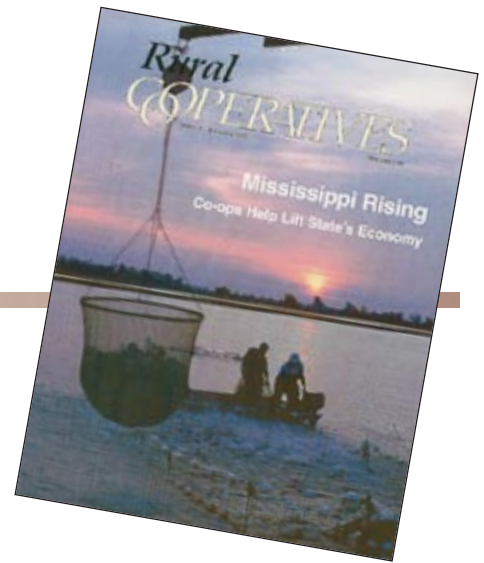
Hedge-to-Arrive (HTA) contracts have become a nightmare for a number of producers and grain cooperative managers in 1996 and beyond. The price risk associated with HTA contracts is not a problem in a normal post-harvest grain marketing pattern. But sharp, unexpected grain price increases in the spring and summer of 1996, however, caught many producers and cooperatives in speculative market positions. Failure of both parties to honor HTA contract conditions is often leading to litigation in the courts. Some cases are still pending.

### Marketing Agreements Must Be Enforced

A cooperative must enforce its member marketing agreements to protect its reputation in the marketplace and the interest of loyal members, according to Frank Kronynenburg, former chairman of the California Canning Peach Association. Members must look at factors other than price, such as the stability of the market created by the cooperative and improved terms of trade.

### Sun-Diamond Growers Settles Litigation

A \$13.4 million settlement was reached between Sun-Diamond Growers of California and its federated cooperative members, Sun-Maid Raisin Growers and Diamond Walnut Growers, regarding overpayments



disclosed in 1985. Funds necessary to accomplish the settlement will be paid by various insurance companies.

### Harvest States Introduces 'Harvest Mark' Pooling

A new grain pooling plan has been unveiled by Harvest States Cooperatives of St. Paul, Minn., during a series of meetings with 60 select local elevator managers and President Allen Hansen. Pools are used as a vehicle for handling the risks in grain marketing because they enable local managers to cooperate on a cost-plus basis in the same way they now handle government grain.

### Co-ops Cotton to Blue Jeans

In a vivid example of how U.S. cooperatives add value to raw farm products, each year, 28 million pairs of Levi Strauss jeans are stitched together from rolls of denim produced by Plains Cotton Cooperative Association in Littlefield, Texas. The denim stems from 120,000 bales of billowy white cotton that flows into the cooperative's textile mill, which is contained under one huge, 10-acre roof.

### 'Dough' Expectations Rise in Colorado

Both business expectations and bread dough were rising in Longmont, Colo., as 227 wheat growers have formed the Mountain View Harvest cooperative to purchase Gerard's Bakery and transform their crop into a value-added product. Nearly half of the more than 500 farmers

who attended a series of 60 grower meetings opted to invest in the cooperative.

### Florida Co-op Juice Brand Growing

Citrus World's total juice products represent \$450 million a year in sales and its Florida's Natural juice brand provides it with 18-percent share of the not-from-concentrate juice market, which ranks it second in the nation. The 65-year-old cooperative's orange and grapefruit juices are now exported to 50 countries.

### California's Hmong Refugees Form Co-op

Once refugee tribesmen from Southeast Asia, Hmong farmers have joined forces in California and found a possible route to economic self-sufficiency via a fresh vegetable marketing cooperative. A five-story historic building in Fresno provides office space for the Hmong-American Cooperative and Hmong Multicultural Center. USDA funds totaling more than \$121,000 will help the Hmong farmers with cooperative education.

### Beef Co-op for Cowboys

Faced with falling livestock prices and corporate inroads in the packing industry, hundreds of cattle producers from 23 states have formed a new cooperative: U.S. Premium Beef. The co-op purchased a major interest in a beef-processing company owned by Farmland Industries, and is pursuing larger profits with a value-added strategy. "This has never happened

before," says Tim Ryan, a Kansas director. "Cattle producers have never before bought into a packing company or became part of a vertically integrated system where they own a piece of everything from conception to consumption."

### 1990s Legacy: Tidal Wave of Changes for Co-ops

The impact of rapid changes in agriculture — reduced farmer numbers but consolidated acreage among survivors and higher crop yields resulting from new technologies — created profound changes in the 1990s. This was seen nowhere more clearly than in the number of major cooperative mergers and consolidations.



Steve & Margo Sayre family, Dodge City (Kan.) Cooperative Exchange. USDA Photo by Dan Campbell

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Two major dairy cooperatives with coast-to-coast connections were created. Land O'Lakes (LOL), Minneapolis, Minn., stretched east to merge with Atlantic Dairy near Philadelphia and then extended itself westward to absorb Dairymen's Cooperative Creamery Association at Tulare, Calif. Both of those co-ops had manufactured LOL butter for years. An even larger co-op was created when Dairy Farmers of America, based at Kansas City, was formed by the merger of Mid-America Dairymen, the Southern Region of Associated Milk Producers Inc., Milk Marketing Inc. and Western Dairymen. It later added California Gold.

Southern States Cooperative of Richmond, Va., stretched to the Midwest to acquire Michigan Livestock Exchange. It then bought the seven-state farm supply, grain, peanut and cotton business and 100 retail stores from Gold Kist in Atlanta, Ga. Goldkist will now concentrate on the poultry business. CENEX and Harvest States merged to create the nation's largest cooperative. This was preceded by a feed joint venture between CENEX and LOL. An 11-year-old agronomy joint ven-

ture between LOL and CENEX continues. Farmland Industries and CENEX Harvest States subsequently formed a petroleum marketing and distribution venture called Country Energy LLC.

LOL acquired Countrymark Inc.'s feed and fertilizer assets in Indiana, Ohio and Michigan. Countrymark then formed a grain joint venture with Archer Daniels Midland, similar to an earlier ADM/GROWMARK alliance. In view of Countrymark's earlier joint feed venture with the FS supply division of GROWMARK, LOL will now supply feed to the FS member companies in Illinois, Iowa and Wisconsin and the Canadian province of Ontario. The FS Services feed employees will join LOL which leased the mills. Under the new alliance, GROWMARK will provide petroleum supplies not available from Countrymark to LOL member cooperatives in Indiana, Michigan and Ohio, but LOL retains its fertilizer business, which earlier had been distributed through a joint-venture with Countrymark.

GROWMARK and LOL have also developed an alliance in seed. Farmland Industries acquired the assets of FS Ser-

vices after an earlier feed joint venture with its Arkansas-based neighbor. Farmland developed a similar feed manufacturing and marketing alliance with MFA Inc. in Missouri, and created a grain joint venture with Con Agra. Statewide regional farm supply cooperatives serving Tennessee and Alabama were also exploring an alignment.

Meanwhile, Pro-Fac Cooperative of Rochester, N.Y., acquired Curtice Burns, its joint venture partner in the fruit and vegetable processing industry, then changed the name of the now wholly-owned subsidiary to Agrilink Foods. It also acquired Dean Foods' vegetable processing division. It is in the process of acquiring the frozen foods assets of Agripac Inc., a Salem, Ore., food processing cooperative. And on the banking horizon, St. Paul Bank has entered into merger discussions with CoBank, Denver, Colo.

The first decade of the next millennium will be hard pressed to match all this change! ■





