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# Rural COOPERATIVES

USDA / Rural Development

March/April 2007



## Cotton Comes to Kansas

page 4



## Senate vote sends strong message supporting farmer cooperatives

*Editor's note: This guest commentary was contributed by Jean-Mari Peltier, president and CEO of the National Council of Farmer Cooperatives, a national association representing America's farmer cooperatives.*

All cooperatives should be applauding the U.S. Senate's recent passage of a resolution (S. Con. Res. 119) supporting the right of America's 2 million farmers and ranchers to join together to form cooperatives which ensure farmer ownership in the food and agriculture distribution chain. This Senate action is a strong vote for farmers controlling their financial futures. It should be especially noted that the Senate resolution also emphasizes the role of farmers and cooperatives in helping to meet the nation's energy needs.

As consolidation occurs elsewhere in the U.S. economy, anti-farmer interests may seek to weaken the structure of agricultural cooperatives through administrative or legislative means. Senate passage of this measure is a strong message in opposition to any such action.

Deserving special appreciation for introducing this resolution and ensuring that it received strong, bipartisan support are the co-chairs of the Congressional Farmer Cooperative Caucus: Senator Blanche Lincoln of Arkansas and Senator Larry Craig of Idaho. In the Senate Agriculture Committee, Senators Saxby Chambliss of Georgia and Tom Harkin of Iowa also provided strong support.

Farmer cooperatives offer the best opportunity for America to realize the farmer-focused ideal of an enduring, competitive agricultural policy.

Farmer cooperatives help farmers and ranchers improve their income from the marketplace; meet our nation's food, fiber, feed and fuel needs; and spur economic growth across rural America. In passing this resolution, the United States Senate has reaffirmed that cooperatives are more important than ever in today's agricultural economy. Even so, farmers must continue in their efforts to educate key policy makers on the history and importance of farmer cooperatives.

I'll use my remaining space to allow the Senate Resolution to speak for itself with the following excerpt. You can read the

*"In passing this resolution, the United States Senate has reaffirmed that cooperatives are more important than ever in today's agricultural economy."*

complete resolution at: [www.http://tinyurl.com/2qruxj](http://tinyurl.com/2qruxj). I urge co-ops to consider reprinting it in their publications or posting it on their Web sites.

*"...Whereas farmer- and rancher-owned cooperatives play an important role in helping farmers and ranchers improve their income from the marketplace, manage their risk, meet their credit and other input needs and compete more effectively in a rapidly changing global economy;*

*Whereas farmer- and rancher-owned cooperatives also play an important role in providing consumers in the United States and abroad with a dependable supply of safe, affordable, high-quality food, fiber and related products;*

*Whereas farmer- and rancher-owned cooperatives also help meet the energy needs of the United States, including through the production and marketing of renewable fuels such as ethanol and biodiesel;*

*Whereas there are nearly 3,000 farmer- and rancher-owned cooperatives located throughout the United States with a combined membership representing a majority of the nearly 2 million farmers and ranchers; and*

*Whereas farmer- and rancher-owned cooperatives also contribute significantly to the economic well-being of rural America, as well as the overall economy, including accounting for as many as 250,000 jobs;*

*Now, therefore, be it Resolved by the Senate (the House of Representatives concurring), that it is the Sense of the Congress that public policy should continue to protect and strengthen the ability of farmers and ranchers to join together in cooperative self-help efforts:*

*(1) to improve their income from the marketplace and their economic well-being;*

*(2) to capitalize on new market opportunities; and*

*(3) to help meet the food and fiber needs of consumers, provide for increased energy production, promote rural development, maintain and create needed jobs, and contribute to a growing United States economy."*

— **Jean-Mari Peltier, President**

National Council of Farmer Cooperatives ■

# Rural COOPERATIVES

March/April 2007

Volume 74 Number 2



Committed to the future of rural communities.

**Rural COOPERATIVES** (1088-8845) is published bimonthly by Rural Business-Cooperative Service, U.S. Department of Agriculture, 1400 Independence Ave. SW, Stop 0705, Washington, DC. 20250-0705. The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of the Department. Periodicals postage paid at Washington, DC, and additional mailing offices. Copies may be obtained from the Superintendent of Documents, Government Printing Office, Washington, DC, 20402, at \$23 per year. Postmaster: send address change to: Rural Cooperatives, USDA/RBS, Stop 3255, Wash., DC 20250-3255.

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This publication was printed with vegetable oil-based ink.

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The nation's Cotton Belt has shifted northward, as depicted on a historic map of the Great Plains region, with Kansas represented by a cotton harvest scene. The Southern Kansas Cotton Growers Co-op is helping cotton take root in Kansas. See page 4. Photo courtesy Plains Cotton Co-op Assoc.; Graphic by Stephen Thompson





# Above the Belt

*Cotton Belt shifts north into Kansas' amber fields of grain*



**By Stephen Thompson,**  
Assistant Editor

**M**ost people don't think of Kansas as a cotton state, but for a growing number of farmers there, the crop that most people associate with the South (or California's southern Central Valley) has become a promising new source of revenue on the plains.

The Southern Kansas Cotton Growers Cooperative is promoting so-called "stripper cotton" as a high-value alternative to other crops. It is rotated with wheat, the area's primary crop. The advantage of cotton is significant: it thrives in the dry conditions that make growing non-irrigated corn and soybeans a risky proposition in the western areas of the state.

On irrigated land, this cotton uses about a third of the water required for corn. Depending on market conditions, it usually also offers substantially better returns per acre than other crops.

## **Boll weevil-free zone**

Kansas has an important advantage over the South when it comes to growing cotton: the boll weevil, scourge of Southern growers for generations, doesn't like the state's cold winters. There are records of cotton being grown in the state over 100 years ago.

The cooperative provides ginning services – processing the crop to make it market ready – and offers technical assistance in growing and harvesting the crop. Members also belong to Plains Cotton Cooperative Association, a co-op based in Lubbock, Texas, which markets their cotton.





Bob Miller, president of Southern Kansas Cotton Growers Co-op, says that he got interested in growing the crop about 10 years ago “when I watched one of my neighbors make more money off of 160 acres than I was making off of 160 acres of sorghum.” He started with 320 acres, and now farms as many as 1,900 acres of cotton each year.

Southern Kansas Cotton was founded 10 years ago by several farmers in the Winfield area, about 30 miles southeast of Wichita and just north of the Oklahoma state line. Several farmers had been experimenting with the crop, but found that transporting their cotton more than 100 miles to the nearest gin was imposing heavy costs.

The growers got together and purchased a used cotton gin with the help of a Small Business Administration loan. They used their wheat trucks to move the gin in pieces.

The first year of operation was a rocky road. Lacking

*USDA Rural Development has helped fund the purchase of special trucks and related equipment to help fuel the cotton industry in Kansas. The cotton fields of co-op member Don Drouhard (above) lead virtually to the doorstep of a Catholic church in Danville, Kan. Photos by Lynette Cockerell and John Johnson, courtesy Plains Cotton Co-op Assoc.*

experienced in running or maintaining the plant, breakdowns and other snags prevented completion of processing a small harvest until almost six months after harvest.

#### **“Cotton culture” missing**

The cotton pioneers had other problems too. Traditionally, cotton is not an easy crop to grow. It requires careful management and specialized expertise. Like any crop, it also needs a local support infrastructure of processors,



storage facilities, buyers and suppliers.

The lack of a “cotton culture” in Kansas meant that none of these were locally available. It also meant that there was nobody close by to depend on for advice.

“You couldn’t ask people in town; you couldn’t ask the county extension agent,” says Miller. The necessary farm machinery wasn’t locally available either, nor were the parts or expertise to maintain it.

The oddest hurdle, perhaps, was the hostility of some of the locals. “Some people just don’t like the idea,” says Miller. “They say Kansas is wheat-growing country.” That attitude has led to problems for some growers leasing from landowners who forbid growing cotton on their property.

In 1996, the Freedom to Farm Act allowed grain farmers more flexibility to grow alternative crops, boosting local interest in cotton. By 1999, the co-op realized it needed outside expertise. Production was up, but the operation continued to have problems getting the cotton processed in the expected time, and two new gins built nearby threatened to leave it without customers unless the plant could be brought up to speed.

Just in time for harvest, the co-op hired an experienced manager, Gene Latham, from the cotton country of West Texas. Educated as an entomologist, Latham had spent his career working for cotton co-ops as a crop consultant and manager.

“He knew what to do and who to call,” says Miller.

### **Timely ginning essential**

Even before he arrived in Winfield, Latham hired a crew, including a gin supervisor.

“Cotton is worthless until you gin it,” Latham says. “And it needs to be ginned in a timely fashion so the farmers can get their money and pay their bills.” The problem was that the co-op members just didn’t have the background to operate and maintain the gin.

“They were wheat farmers,” Latham says, who weren’t aware that a gin needs overhauling after every season. As a result, the machinery was in dire need of a rebuild.

The crew spent 28 days going over every part of the gin, replacing and refurbishing where needed to bring it up to specifications. Latham, meanwhile, was out in the field visiting farmers, convincing them that Southern Kansas would be able to process their crop.

When the ginning began, the crew worked the customary 12-hour days, seven days a week. “That’s part of the culture,” Latham says. “You work until the job is done. This year we’ve worked every day except for three days at Christmas.”

Local labor isn’t used to that kind of schedule, says Latham, so the gin uses experienced labor from Texas. “Gin people are used to working around the clock during the ginning season and making good money.”

Technical assistance is the other service provided by the cooperative. Latham says it offers a complete consulting program, at cost, that allows a local farmer to start growing



cotton with confidence. “We do soil sampling, recommendations on tillage, weed control, insecticides – everything they need,” he says.

### **Steep learning curve**

Latham says that local farmers, used to growing grain, have a fairly steep learning curve at first. “They’re not used to growing row crops,” he says. But after some years of farming cotton, many farmers are now able to go it alone. According to Latham, farmers with 41 percent of the cotton acreage avail themselves of the co-op’s technical consulting service.

New varieties of cotton make it much easier on the novice grower. Keeping weeds down was a problem for the Kansas growers because most cotton has a high sensitivity to weed-control chemicals. Further, chemical controls used in the South don’t always work in Kansas. Roundup-Ready cotton, which became available seven years ago, greatly simplifies control of weeds.

Local farmers don’t have the specialized spraying equipment needed to apply older types of herbicide on weeds growing between rows without harming the cotton plants.



*Clockwise from left: Gene Latham, who provides customer and consulting service for the co-op, outside the gin office in Winfield, Kan. A Kansas cotton field begins to bloom; Dr. Rex Friesen, an entomologist and consultant for the co-op, does a field inspection; ripe bolls ready for harvest.*

The original versions of Roundup-Ready cotton allowed producers to spray their cotton fields only until the plants began to develop fruit. After that, herbicide spraying would prevent development.

But the latest Roundup-Ready cotton varieties, called “Flex,” are tolerant of approved weed-control chemicals at any time until harvest. Miller calls Roundup-Ready cotton “sort of cotton for dummies.”

Cotton novices today also have many other advantages over their predecessors. The development of a local “cotton culture” is now well along. Equipment and supplies are now readily available locally, and cotton infrastructure is growing.

A number of farmers now offer custom-harvesting services. The acreage of cotton farmed by members of the cooperative has grown by a factor of 10, and the amount of cotton ginned at Winfield has risen from 9,000 bales in 1999 to 28,000 projected for 2006.

The co-op has even purchased a second gin 45 miles away near the town of Anthony.

#### **USDA provides financial boost**

In 2006, the cooperative secured a \$558,000 Rural

Economic Development Loan from USDA Rural Development, administered by the Sumner-Cowley Electrical cooperative, to update and expand its productive capability. The funds were used to purchase specialized trucks and equipment, helping to add 50 bales a day in capacity.

Despite cotton’s rapid growth in Kansas, the crop still has a lot of room for expansion there. Experts estimate that the state could easily farm 200,000 acres of cotton a year, more than twice the current acreage. Latham thinks that figure is conservative. Plains Cotton Cooperative Association, the marketing co-op, opened a cotton warehouse near Liberal, Kan., in 2004.

Latham is very optimistic about the co-op’s future.

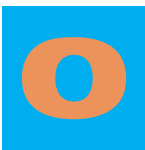
“We haven’t grown as quickly as we might have this year because of record-high grain prices,” he says. But as water tables are depleted in the western part of the state, cotton will become more important there by necessity, he thinks. In the Winfield area, cotton just outperforms other crops. “Our biggest problem,” he says, “is going to be keeping up with demand for our services.” ■





## *Sunkist growers scramble to save fruit while co-op adjusts marketing strategy*

**By Patricia Miller**



On Jan. 11, Canada exported a most unwelcome product to the United States: a wave of Arctic air that rolled down the West Coast and settled on the

citrus groves of California and Arizona. “Six weeks before the freeze, the meteorologists were warning us that one was on the radar,” says Gerald Denni, whose Golden Valley Citrus growing and packing operation in the San Joaquin Valley covers about 4,000 acres of citrus. “Within two weeks, they

were getting more precise, and within five days they were saying, ‘Watch out, it’s coming!’”

That lead time sent growers into overdrive, harvesting as much of the orange, lemon and grapefruit crop as there was room for in the packing houses. It gave them time to make sure





*Photos by Shirley Kirkpatrick,  
courtesy Sunkist Growers*

their equipment was ready to protect the groves and to keep trees and fruit as warm as possible. That's done two ways: with wind and with water.

### **Defense of wind, water**

As the temperatures drop, the warm air rises. "If there's a breeze, you can

bring the temperature up three to five degrees," says Denni, a member of Sunkist Growers. Above the groves, wind machines — giant fans — create that breeze.

Below the trees, growers turn on their irrigation systems and begin misting the trees and fruit. It's not the ice coating that protects them, but the heat that's released as the mist changes from liquid to solid and is captured under the canopy of leaves.

Despite the preparation, despite the wind machines, despite the misting, time was against the growers. For three nights, temperatures tumbled into the 20s and teens for long, frigid hours at time, spelling disaster for the fruit remaining on the trees. It also meant disaster for the growers, packinghouses, workers and communities that depend on agriculture.

"The duration of the freeze did the most damage," says Henry Vega, another Sunkist member who owns about 65 acres of lemon groves. "The temperatures stayed low for hours and hours."

### **Assessing the damage**

Within days, some of the most severe damage was obvious: brown leaves, frozen fruit falling from the trees. "But it's very hard to immediately detect frost damage in citrus fruit," Denni says. "The juice sacs freeze and burst and form hollow spaces. If it's not too bad, the fruit may heal itself and fill those in. If not, the juice evaporates, leaving dry pockets. That can take four to six weeks or more."

So the period of wait-and-see began. Wait and see how badly the fruit was damaged. Wait and see how much young tree stock was lost. Wait and see how their cooperative's efforts will protect markets. And wait and see the lasting impact on their communities.

When the freeze hit, the state of California estimated that about \$960 million in citrus was still on the trees

and that 75 percent of it may have been lost. Governor Arnold Schwarzenegger, in his request for federal disaster aid, said the losses to agriculture could exceed \$1 billion — more than caused by either the freezes of 1990-91 and 1998-99. Unlike Florida's crop, the bulk of California's citrus is destined for the retail fresh fruit market: the navel, blood and cara cara oranges, pummelos, tangerines, mineolas and lemons you find at the supermarket.

Arizona's citrus crop, while smaller than California's, is still worth more than \$38.5 million annually. Early estimates predicted that 75 percent to 90 percent of the unpicked lemons, grapefruit, tangelos and oranges in Yuma County had been destroyed by the freezing temperatures. At the time of the freeze, 25 percent of the lemons and 75 percent of other citrus were still on the trees.

Denni says he usually sees 1.2 million cartons of marketable fruit from his operation from January through June. But, after assessing the damage grove by grove, believes that only about 30 percent can be salvaged.

"A month after the freeze, we started harvesting in the blocks with low damage, but the majority of the fruit will have to be separated," he says.

"Because there was prior warning," Sunkist Chairman Nick Bozick explains, "packinghouses worked around the clock harvesting and packing as much fruit as possible. And, as time passes and we are able to better evaluate the freeze effects, we are finding that more fruit escaped severe damage than was at first thought possible."

Faced with a funding shortfall because of the reduced 2007 crop, Sunkist management immediately focused on downsizing operations and reducing expenses while preserving the cooperative's fundamental capabilities. Despite the significant disruption to overall business operations, Sunkist says it "does not expect the freeze to have a



materially adverse impact on its financial position.”

“Our attention,” Bozick says, “is now focused on aggressively selling the fruit that remains, on maximizing returns to growers on the remaining fruit and on meeting the needs of our customers.”

### Ripple effect

Vega breathed a sigh of relief when he made the post-freeze inspection of his lemon grove in Santa Paula, which lies near the coast. A persistent wind from the sea, along with extensive irrigation in the days before the freeze, had protected the fruit and trees from much damage.

“We fared very, very well,” he says. Where there was damage, it was usually on the southwest side of the tree and where he began seeing lemons develop the tell-tale bronzy-yellow of frost damage. He expects that some of his crop will heal itself, although it will be downgraded for quality.



California Governor Arnold Schwarzenegger tours the orchard of Keith Nilmeler (left) with California Dept. of Food and Ag Secretary A.G. Kawamura.

But while his fruit fared well, his workers didn't. As part of his business, Vega provides workers to growers and packers, not only of citrus, but of other fruits and vegetables.

“Normally, we'd be employing 1,000 workers right now. But only about 300 to 400 are working, and we're in a holding pattern,” he says. “A lot of our workers live paycheck to paycheck and are scrambling to find other types of work. So first we have the immediate

shock of the freeze and then the long-term effect from the loss of these workers in agriculture.”

Denni agrees. “This is the time when a lot of our workers make their money for the year,” he said when interviewed in February. “They're working 10 hours a day, six days a week and collecting overtime. Some of them have been with us for more than 20 years, and we're doing everything we can to keep them.”

California and Arizona were bracing for this ripple effect. With less fruit to pick, fewer workers are needed in the groves and packing houses. Fewer workers mean fewer paychecks being spent in the communities. In California, more than 20 counties have been declared federal disaster areas and the state is also seeking aid for displaced workers. Tulare County in the San Joaquin Valley estimates the freeze could remove \$800 million from its economy.

## Black lights, breathalyzers help detect damage

For years, the tried-and-true way to separate damaged citrus from undamaged fruit was to put it in water. The frost-damaged pieces, which are lighter due to the loss of juice, would float to the top. However, damaged fruit sometimes became trapped under the good fruit and would find its way into the retail market.

Now grower Gerald Denni uses a mass-to-density ratio to separate the damaged fruit in his packinghouse. The system can handle 13 pieces of fruit per second per inspection lane,



and he has 10 lanes, enabling him to check 130 oranges per second.

“We take 30 digital images of each orange and then it's weighed,” he says. “It's very accurate, which is a benefit to consumers because they'll get a better product.”

But new techniques using readily available tools are being developed to detect frost-damaged fruit in the groves and packinghouse. The tools? Black lights and portable breathalyzers.

A task force of researchers from the Citrus Research Board and University of California Cooperative Extension Service has discovered that shining black lights on the fruit reveals tiny, bright-yellow dots on the peel if there's been frost damage. The more dots, the greater the damage.

Here's how the citrus version of the breathalyzer test works. The fruit is placed in a plastic bag and sealed for at least 15 minutes. The bag is then pricked with a hypodermic needle attached to a breathalyzer, which measures the ethanol escaping from the fruit. If there's more than .01 milligrams of ethanol, the fruit is damaged. The higher the reading, the more damage.

On the horizon is magnetic resonance imaging, which Jim Thompson of the UC Extension Service says will make all current tests for winnowing out frost-damaged fruit obsolete.



## Co-op response

As Sunkist members, Vega and Denni are also concerned about protecting their markets and their brand, which is a symbol of citrus quality for consumers.

“I’m looking for discipline from the growers and packers not to put damaged fruit on the market,” Vega says. “If consumers are burned with poor quality, studies show it takes them 60 days to buy that fruit again. I’m also looking for my co-op to help manage the supply.”

Sunkist estimates that volume for the fresh market may be down nearly 50 percent.

“We still have fruit, just not as much,” says Claire Smith, communications director for Sunkist. She adds that the cooperative has beefed up its rigorous inspection process. “As a branded product, we have to make sure no damaged fruit has a Sunkist sticker on it.”

To supply its domestic and international customers, Smith says Sunkist is using the fruit it has on hand, implementing its global sourcing program and outsourcing some supply, although the cooperative is very aware that “any time there’s a dip in supply, other companies will try to fill the void.

“We’re radically changing our marketing plan and switching what advertising we can from oranges to lemons, because we have more of them. Because Sunkist’s marketing efforts are funded by a per-carton assessment, our budgets are reduced. So we’re cutting costs and not implementing some of the projects we had planned.”

Bozick adds, “We’re also working hard to get disaster relief for the growers, shippers, harvesters and packinghouse employees who have been severely affected.”

Despite the losses he knows he’ll incur, Denni hasn’t let the freeze of ’07 diminish his passion for the citrus industry. “I’m very optimistic by nature,” he says. “And as a farmer — freeze, drought, flood — it’s part of the territory. We get knocked down and we pick ourselves up. We’ll figure this out.” ■

## Record-breaking sales in ‘06 to help Sunkist weather severe crop freeze

Sunkist’s annual meeting Feb. 21 in Visalia, Calif., was a bittersweet occasion for the 6,000-member citrus co-op. Sweet, because 2006 was a record-breaking year for the 113-year-old co-op, which notched \$1.1 billion in sales for the past year. Bitter, because the month before the meeting growers lost as much as half of their 2007 crop to a killer freeze.

In 2006, Sunkist’s operating structure was realigned to provide a more integrated approach to its operations and to better use its resources, said President and CEO Tim Lindgren. “This realignment improves the coordination of our core domestic and export business with our newer global-sourcing and fresh-cut programs. It also complements the ways in which Sunkist products — both fresh and licensed — are presented and helps to increase the value of the Sunkist brand.”

Last year’s navel orange crop was exceedingly large — 90 million cartons industry-wide, although fruit size was small, as is typical with a big crop. Sunkist growers enjoyed the best Valencia orange season in a decade, as co-op marketers worked to maximize revenue on a short crop.

Despite intense international competition, lemon revenue set an all-time record.

Lindgren credited “excellent collaboration” between Sunkist’s citrus juice and oil unit and its fresh fruit sales division for creating a price floor under the juice market and helping to boost per-acre returns.

Grapefruit returns were also excellent, and Sunkist had record revenue of \$42 million for seasonal specialties, a 62-percent increase in just two years. These citrus varieties — including specialty oranges, specialty grapefruits, tangerines and tangelos — are an expanding part of Sunkist’s business.

In 2006, Sunkist Global LLC produced the best offshore selling season since its inception in 2003 as a citrus global-sourcing program for the co-op. Sunkist Global concentrated on fruit sourced from Australia and South Africa, as well as limes from Mexico. Some domestically sourced fruit — including grapefruit from Texas and non-member clementines — are also handled under the global program. Much of the globally sourced fruit is sold in Southeast Asian markets, although some is marketed in the United States and Canada.

Sunkist marketed more than 600 different products in more than 50 countries on five continents.

Worldwide sales of Sunkist-licensed products approached \$1.4 billion in 2006. Sunkist licensees introduced 46 new products in 2006.



Sunkist recorded \$1.1 billion in sales for 2006.



# Branding for Success

*Trademark law, product certifications important to many cooperatives*



**By Bruce J. Reynolds, Ag Economist**  
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**B**randing is a way for businesses to differentiate their products and services and establish a reputation that will build customer loyalty. In 1990, 93 fruit and vegetable cooperatives owned 482 brands, with 443 as registered trademarks. The Patent and Trademark Office (PTO) currently has 255 active trademarks for fruit and vegetable products owned by businesses with the term “cooperative” in their corporate name.

So, even without the benefit of a branding survey more recent than the one USDA undertook in 1990, a very limited Internet search at the PTO Web site suggests many cooperative brands are actively being used in agriculture.

Brands vary as to the type of information conveyed and the audiences targeted. For example, some brands are used by grower associations in the wholesale trade, while others are widely advertised and prominently used in consumer markets.

Not every branding program needs to aim for national or global fame. The resources required to establish famous

trademarks, such as Sunkist, are out of reach for many groups of growers. Yet, branding can be accomplished with a smaller, but still, useful scope, involving relatively low-cost steps that capture value for farm products.

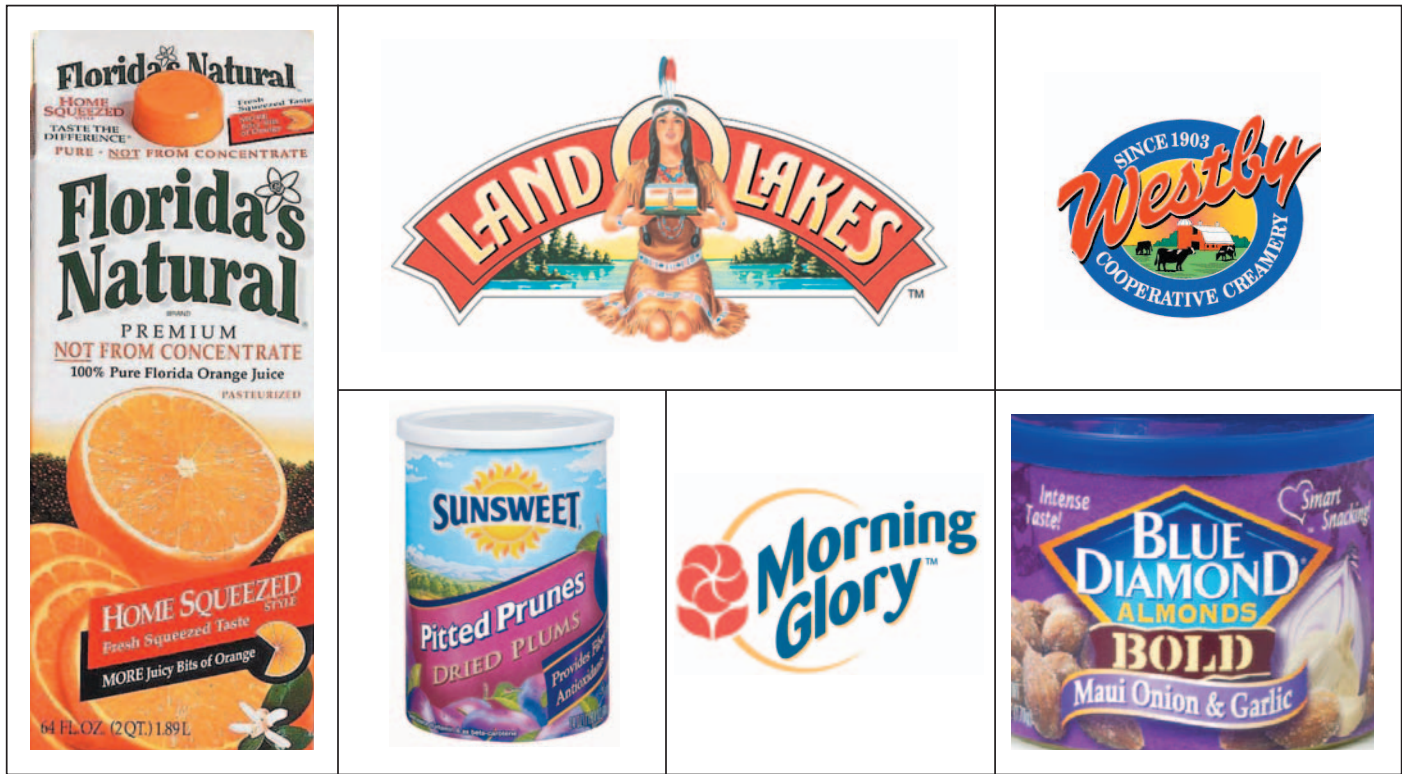
Of course, several factors about a particular product will influence branding feasibility or type of brand to develop. For example, with some commodities that cooperatives sell in bulk form, branding can be developed as an identity-preserved program. Many co-ops brand services in addition to products, which are often licensed to other cooperatives or businesses.

## **AMS Certifications**

A good starting point for differentiating products is to consider some of the inspection and certification programs offered by USDA's Agricultural Marketing Service (AMS).

AMS marketing agreements provide inspections and certification for agricultural product distributors who are voluntary signatories of an agreement. By contrast, other AMS inspection programs are compulsory, such as those in marketing orders. Certified product attributes in a marketing agreement may offer more opportunity for branded differentiation to the extent that they are not mandatory for





all similar products in a specific market.

Differentiating a product as “organic” is a significant attribute. Consumer demand for organic food has rapidly expanded, with AMS certification playing a critical role in this expansion. Certification under the National Organic Program is mandatory for products offered or advertised as organic. In contrast to verifications of end-product standards, the National Organic Program involves certifying adherence to a specific set of production practices.

AMS provides auditing in its Identity Preservation Program, which producers and handlers can use to assure customers of product origin. Identity preservation is useful for many row and tree crops and livestock products. In the fruit and vegetable sector, AMS provides Good Agricultural Practices and Good Handling Practices Audit Verification (GAP & GHP).

AMS auditing and certifying programs are a way for growers to differentiate their products, and when combined with cooperative marketing, members achieve critical mass for gaining better market access. A brand can be linked to certified quality attributes by applying either small stick-on labels or stamp printing on bulk produce or printed on packaged products.

### Trademarks

In the United States, trademarks are created by adoption and use in connection with products and services. Federal government registration of a trademark can assist an owner’s effort to prevent others from using brands and logo designs that are likely to create consumer confusion about which companies are the source of particular products.

A trademark also gives a business more control in how others may use its brand. While a brand can be developed without registering it as a federal trademark, registration protects its value and helps grow the goodwill of the business associated with its brand. A registered trademark may develop into a significant asset of the cooperative.

To obtain a federal trademark, a brand must be used in interstate commerce. However, a trademark used only in a single state can also develop rights that apply in that particular state. When a brand is only used in a relatively small market area or is of interest to a select type of buyer, such as a wholesale distributor, the likelihood of its being copied or used without permission may seem remote. The major concern in situations such as these, however, is not unauthorized use, but rather the possibility of being prevented from using the brand to enter new markets after



spending years building a strong reputation in a single market area.

How could this happen? Common law only offers some rights for brand owners in their traditional operating markets. A competing brand with a similar name and design used for related products may hold a federal trademark that might be a basis for a ruling that could confine the unregistered brand to its traditional market area. Furthermore, the dividing lines between industries and the types of products or services offered in consumer markets changes rapidly.

What seems at one time to be unrelated products or services, or geographically separate markets, may gradually become integrated. For example, many farm supply cooperatives are increasingly serving the lawn and garden needs of non-farm customers in remote suburbs of large cities, which may bring them into competition with new and different businesses. A plausible future scenario is new competitors with service marks that could conflict with the brands of a cooperative that would not have been in the same market in an earlier period of time.



### Service Marks

The term “trademark” frequently refers to the brand name of a product, but it is also a general term for other types of branding. Trademark law includes branding of services and product certifications that involve different rights and regulations. These other types of trademarks also relate to different business applications used by cooperatives.

Branding a service is often similar to the naming of a business, and many service marks are also the trade name of a company or cooperative. Typically, when referring to a trade name, the indicator of organizational form — such as Inc., Ltd., or LLC — distinguishes it from a service mark when the same name is used. For example, a cooperative has the trade name GROWMARK Inc., and GROWMARK is its trademark for products and its service mark for “agricultural cooperative services, namely, cooperative advertising and marketing services and retail distributorships of agricultural products.”

Service marks are frequently used by federated organizations. They can function as a collective membership mark for members to use to indicate their membership in the federation. In addition, a federation may develop a program of services for its local members and have it registered under a service mark to maintain control over its contents for the membership.

Service marks are also applied to many other business structures or situations. Consider a co-op that wants to offer its service program in a new market where much of the customer base is non-member. The co-op may want to contract with other businesses or co-ops for carrying out its service program in the new locations. As part of such a

contract, it would need a registered mark to license the service program to others.

### Certification Marks

Trademarks are also used for certification. Candidates for this type of certification in agriculture are defined growing

## Certifying a reputation: Virginia-Carolinas growers brand their peanuts

Peanut growers in Virginia and North and South Carolina recently obtained a certification mark for peanuts grown in the tri-state area, which have a high-quality reputation for taste and size. The logo for this certification can be affixed to any package of peanuts or a product with peanut ingredients grown in the tri-state region. Use of the logo is handled by a licensing agreement with the owner of the mark: the Peanut Growers Cooperative Marketing Association, headquartered in Franklin, Va.

Peanut cooperatives have emphasized marketing since the change in 2002 from USDA's quota system to the commodity-loan program. Under the quota system, peanut producers were guaranteed a price that could not be readily increased by promotion and other marketing strategies. The commodity loan program offers much less support for peanut prices. Since 2002, peanut acres have declined, especially in Virginia.

Dell Cotton, the manager of the peanut cooperative, noted that Virginia-Carolinas have long had a reputation for growing great-tasting peanuts, but the impetus to distinguish the product with a certification mark was influenced by the recent emphasis on marketing.

### History of identifying qualities

In the early history of agricultural markets, farmers delivered to local exchanges where merchants would estimate the average quality of an individual's lot. But they would pay what was often called a “hog-round” price that made no payment differentiation for qualities. The grading of commodities was done for wholesale markets, but not for farmers. Cooperatives were pioneers in implementing commodity grading for farmers and promoting quality recognition for member products.

The federal government assumed a prominent role in grading farm commodities in connection with the New Deal Farm Programs in the 1930s. While cooperatives continued to promote payments for quality products, much of their marketing programs were built around government



regions and product attributes created by following specific agricultural methods that are not routine or standard practice for an industry. The owner of a certification mark may function as the certifier, who specifies the criteria for products that can be labeled with the mark. The French have a long history of using this type of marketing strategy, such as

Roquefort cheese or Champagne as examples.

Many U.S. agricultural groups have obtained federal certifications, such as the mark for Vidalia onions. Recently, the Peanut Growers Marketing Association has been granted a certification mark for peanuts grown in the tri-state area of Virginia, North Carolina and South Carolina.

As an example of an agricultural practice, the California Certified Organic Growers obtained a certification mark for organic farming methods in 1990, which were related to standards set by the California Organic Food Act of 1978. As demand for organic foods expanded, there was a public policy need for a single standard in the U.S. market. In 2002, the National Organic Program established the only standard for organic product certification in the United States.

Certification marks are often used for an exceptional or special type of agricultural or food handling practice. AMS inspections and certifications usually apply to standard industry practices, as in the case of the development of an industry standard for organic production procedures.

### Financing brand development

Growers can participate in AMS certification programs that would distinguish their products from those supplied to the market by non-participants. If dealers have a preference for products with a particular certification, growers can take advantage of such opportunity by identifying their products with a brand.

Gaining a reputation with consumers usually involves supporting a brand with advertising and promotion. There are some federal and state government programs offering assistance with promotion for special conditions, such as export marketing. Also, USDA Rural Development's Value-Added Grant Program would be applicable for a marketing program of adding value by improving quality and branding the products ([www.rurdev.usda.gov/rbs/coops/vadg.htm](http://www.rurdev.usda.gov/rbs/coops/vadg.htm)).

Co-branding is an effective way to gain access to the distribution system of large food processing and packaging firms. Many firms want to use products from farmer cooperatives or from those that can certify a quality attribute. The related article (left) about the peanut certification describes a co-branding opportunity.

A program for branding agricultural products can be implemented in several ways and with different objectives. Aiming for an internationally famous brand is not the only worthwhile objective. For many commodities branding is often not a cost-effective strategy except when there are opportunities for identity preservation or some form of certification. Even if you only market products to wholesale dealers or other distributors, branding may help build your product's reputation.

The value added to a business by branding products and services often increases over time. As consumer markets evolve, and possibly move in the direction of customers seeking more attributes that cooperatives can supply and guarantee, branding will likely increase. ■



stabilization policies and coordinated with USDA implementation to help reduce the costs of commodity programs.

Peanut and other cooperatives continue to play a role in administering the current commodity loan programs while also exploring new ways to promote member products.

### Creating opportunity

Management and members of the Peanut Growers Cooperative Marketing Association had anticipated that a certification mark would be welcomed by local peanut companies. The benefits of the mark caught on quickly when one of the first calls came from Kellogg about using the logo on its Nutri-Grain bar. Their new product has the Virginia-Carolinas peanut logo on the packaging and displayed in Kellogg's advertising campaigns.

Co-branding is an example of a "win-win" situation. In this case, Kellogg will inform consumers that its source of peanut ingredients is a region with a reputation for excellent peanuts. For peanut growers in the tri-state region, co-branding with Kellogg will reinforce their quality reputation and, quite likely, lead to new marketing opportunities.

—Bruce J. Reynolds, USDA Ag Economist





# Dixie Watts Reaves

*Associate Professor, Agricultural and Applied Economics, Virginia Tech*

**D**ixie Watts Reaves, a national leader in agriculture and cooperative education, joined the faculty of Virginia Tech (VT) in 1993. Her primary interests are in agribusiness youth education, agribusiness product and service marketing and the impacts of agricultural and environmental policy on economic decision-making.

Reaves' youth-education efforts include working with the Virginia Council of Farmer Cooperatives and the National Council of Farmer Cooperatives to educate high school students about agribusiness management. Her current research focuses on the scholarship of teaching and learning, including the benefits and costs of extracurricular activities and the educational value of debates in a classroom setting.

## *How did you first become aware of, or start working with, cooperatives?*

As a child growing up on a hog and tobacco farm in Southside Virginia, I was aware of cooperatives: my electricity was provided by a cooperative and I knew that we were members of our tobacco cooperative. But my deep involvement with co-ops really began soon after I started my career at Virginia Tech.

The faculty member who had previously worked with the Virginia Council of Farmer Cooperatives (VCFC) to sponsor its annual youth conference needed to cut back on some of his activities. As the newest person in the department, I was an obvious person to ask to step in. My acceptance of that invitation to work with VCFC was one of the most important career decisions I ever made. We have forged a strong partnership that has continued through the years.

I remain actively involved in VCFC's annual co-op education youth conference. I serve as an advisor to its board the research and education committee. VCFC supports my students with scholarships, and its members provide them with internships and hire them for full-time employment. VCFC supported my effort to create a cooperatives course at Virginia Tech, and I consider them a true partner in all of my cooperative education endeavors.

## *Why is co-op education at the college level important?*

Cooperatives touch many areas of our day-to-day lives, often in ways that we are not even aware. From providing

services such as phone, electricity and cable, to the marketing of raw or finished products, to the provision of housing or child care or health care, cooperatives can, and do, make a difference. There are many other ways cooperatives could solve problems, but they are often not considered because not enough people are knowledgeable of the cooperative model. Today's college students need to understand this. They will be tomorrow's employees, member-owners and board members.

## *You also teach a course on the impact of cooperatives on the human condition. What major points are made in that class?*

During end-of-semester evaluations, students often say they had no idea of the widespread nature of co-ops in our society prior to taking the co-ops course. When I created the course on cooperatives, I wanted students to be aware of all of the areas of our daily lives that are, or could be, impacted by co-ops. We discuss both agricultural and non-agricultural cooperatives, why they are formed, what unmet need they fill, how they empower people, and how they help people help themselves. This course is in our university's core curriculum, so it draws students from all colleges on campus and brings a diverse perspective to our classroom discussions.

## *What are typical career goals for your students, and are many of them looking at co-ops as future employers?*

Many of our students want to enter the agricultural finance sector or the input-supply sector after graduation, while others want to go into production agriculture. Therefore, cooperatives are an ideal employer for VT ag economics students, and many are currently employed with cooperatives in different states across the nation.

## *You were largely responsible for re-establishing the National Institute on Cooperative Education (NICE) Conference as a smaller meeting aimed at secondary-level students. How is that effort going?*

When the National Council of Farmer Cooperatives (NCFC) decided to discontinue NICE, the state-level councils took action. Prior to NICE 2002 in Chicago, I spoke with a number of people who were interested in seeing the youth component of NICE continue. Finding substantial



support, I organized a meeting at that final NCFC-sponsored NICE in Chicago, and spoke with the state co-op council representatives about how we might partner to move it forward. There was overwhelming support for a continued youth cooperative education program, and I volunteered to host the diamond anniversary NICE on the Virginia Tech campus the following year.

The conference was an overwhelming success, with 100 percent of participants indicating that they would recommend the conference to a friend. There was a steep learning curve the first year, determining all that needed to

to participate.

### *Where will the next conference be held?*

Pennsylvania has again agreed to host in 2007, July 19-22, in Shippensburg. For cooperatives that would like to support this youth education effort, a number of sponsorship opportunities are available, and we would welcome any and all support. If a state does not have a state co-op council that focuses on youth education, those states could still sponsor one or more youth to attend the conference. In my mind, there has been a successful transition from the NCFC-sponsored NICE to the state-sponsored NICE, and I anticipate that in 2028, we will be celebrating the centennial of NICE.

### *What can co-ops do to support co-op education?*

Cooperatives are already doing a great deal to support co-op education. Some states have very strong and active state councils of cooperatives, and many host a state-level youth education program each year. In those states where such programs are taking place, it is important for individual co-ops to support those efforts through sponsorships, door prizes, providing conference speakers and simply being present to allow the youth to interact with representatives from industry. In those states where there are no current state-level programs, a group of cooperatives might consider working together to start one, or at least sponsor youth to attend NICE.

Offering summer internships is another way to support co-op education. Internships are a win-win situation, providing cooperatives an opportunity to assess potential future employees and giving students much-needed hands-on experience. What better way to learn about cooperatives and see how they positively impact the well-being of their member-owners than by working side-by-side with those who serve the members every day?

A number of co-ops or co-op councils support their youth through the provision of scholarships. In addition to monetary support, knowing that the agricultural industry supports ag majors and is willing to reward them for academic achievement is a powerful motivator.

I am very appreciative of the support that I and my students have received from VCFC and its member cooperatives. I know co-ops around the country are supporting the youth in their local communities, and I'd like to take this opportunity to say a heartfelt thank you.

**Contact Reaves at:** [Dixie@vt.edu](mailto:Dixie@vt.edu) or 540-231-6153. ■



*Dixie Watts Reaves (far right) with a group of her students from Virginia Tech tour a farm near Clarens, South Africa, in February.*

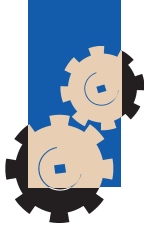
be done to host a national-level conference like NICE, so I offered to host a second year, and the state councils agreed.

Kentucky volunteered to host it in 2005, followed by Pennsylvania in 2006. The conferences were outstanding, with general co-op education sessions, case studies, games and ice breakers, leadership development and a farm-supply store simulation. Each year, the attendees say they learn a lot in a fun atmosphere and have an opportunity to meet people from all over the country. A testament to the success of the conference is the number of youth who express interest in returning the following year as a youth leader.

### *What happened to the NICE Ambassador program?*

It has been renamed the Outstanding Youth Scholar Contest. Each year, one male and one female are chosen to serve as ambassadors for NICE. They assist with the planning of the coming year's conference and assist on-site the following year. If any cooperative would like to have the Outstanding Youth Scholars participate in any type of co-op-sponsored event, we would welcome invitations for the youth





# Cooperation, c'est magnifique!

*U.S. co-op centers take a closer look at Quebec's phenomenal co-op growth*

*Editor's note: Margaret Bau, USDA co-op specialist for Wisconsin, and Susan Davis, Iowa State University Extension, assisted with this article.*



When Alphonse DesJardins helped the first credit union in North America incorporate in 1900, he probably did not guess that it was the beginning of a cooperative movement across Canada and the United States (since credit unions are basically financial service co-ops owned by their depositors).

More than a century later, the DesJardins federation is the largest financial institution in the Canadian province of Quebec and the sixth largest in the nation, with \$179 billion in assets and 10.6 million owner-members. It is the province's largest employer and a major driver of the region's economy.

A priority of the DesJardins federation since the 1990s has been more proactive cooperative development. It has worked closely with the Ministry of Industry and Commerce, the Conseil de la coopération du Quebec, and co-ops themselves to accelerate the growth of the cooperative business sector.

The collaboration helps start new co-ops as well as existing ones, issuing regulations, compiling statistics and offering programs that foster cooperative enterprises and the access to capital that will ensure success.

## Co-ops last longer, grow faster

The move to more deliberate co-op



*Donna Uptagraaft, of the Arkansas Rural Enterprise Center, visits the home of Alphonse DesJardins, founder of the first credit union in North America.*

development accelerated in the mid-1990s, when a research study revealed that new co-ops in Quebec had a longer survival rate than investor owned businesses. Co-ops had a five-year survival rate of 64 percent, compared to the typical investor-owned corporation's 34 percent chance of making it to year five.

Ten-year survival rates were even more divergent: 46 percent for co-ops, but only 20 percent for investor-owned corporations (IOCs). Average annual job growth rates were found to be 5.8 percent for co-ops, 2.2 percent for IOCs. The cooperative advantage was there for all to see.

These facts played a part in convincing the provincial government to establish 11 co-op development centers to serve its 17 districts. Each is staffed with a handful of practitioners skilled in such key areas as new start-

ups, marketing and youth. Their work is coordinated with the national co-op federation and co-op sector associations.

Between 1995 and 2003, the number of co-ops launched in Quebec jumped from 85 to 220; homeware co-ops alone soared from three to nearly 50.

## U.S. co-op developers tour Quebec

In the fall of 2006, Cooperation-Works!, a network of cooperative development centers in the United States, led a U.S./Canadian cooperative study tour to Quebec to learn from this cooperative growth spurt and the infrastructure, including the consumer-owned financial services (credit union) sector, that is helping to make it possible.

One of the keys to Quebec's co-op success was the passage in 2004 of legislation that guarantees an "indivisible reserve" for cooperative development. If a cooperative decides to convert to a for-profit company, the reserves of that cooperative are not divided among its members. Instead, by law, any reserve funds have to go to another cooperative. If the co-op dissolves, the reserves become a community asset, not an individual asset.

"Therefore," says, Cooperation-Works! Executive Director Audrey Malan, "indivisible reserves remove the possibility of members gaining huge windfall profits from renouncing their cooperative mission, principles and identity."

## Diverse applications of co-op model

The tour included trips to a student-



run co-op college bookstore, an ambulance co-op, a funeral co-op, a worker-owned micro-brewery, several home healthcare co-ops and the home of Alphonse DesJardins, the man credited with inventing credit unions as an alternative to traditional banks, which were often not interested in handling the finances of workers.

"It was a great networking opportunity," says Donna Uptagraaft of the Arkansas Rural Enterprise Center, a member of CooperationWorks! "I was impressed with how willing they are to think big and take risks. And they bring all the work together well; they do a lot more coordinating at the provincial (state) level."

The diversity of types of co-ops was also very educational, she adds. "We do a lot of work with agricultural co-ops back home. In Quebec we saw cooperative applications we don't see there."

Bob Mailander of Rocky Mountain Farmers' Union, another member of CooperationWorks!, cites "the interconnectedness of their cooperative systems, and their ability to access capital to organize and run their operations" as a critical element in the success of Quebec's cooperative economy.

### System's nuts and bolts

That access to capital includes a Cooperative Investment Plan that gives co-op members tax breaks for supporting cooperative development. A member investing \$100,000 in her co-op can deduct 150 percent off her provincial taxes.

Since 1985, the plan has channeled more than \$217 million in capital into cooperatives, including \$25.3 million in 2000. In addition, a Deferred Tax Rebate enables a member to defer both his federal and provincial taxes on patronage refunds until the point at which the shares are disposed.

Through such government mechanisms as the Cooperative Investment Plan, the Deferred Tax

Rebate and the creation of the Nondivisible Reserve — along with the powerhouse of the DesJardins Co-op Venture Capital Fund, which has raised more than \$645 million from nearly 118,000 individuals — there are at least nine funds available to cooperatives.

"The success of the co-op movement in Quebec is directly attributable to the pro-cooperative provincial government policy, the powerful financial and social driver that is DesJardins, and the extensive cooperative networks and sector associations," says Malan. "It isn't rocket science; it's just a deep understanding of and a commitment to the operating principles and practices of cooperation." ■



*U.S. and Canadian representatives of cooperative development centers attended the recent CooperationWorks! study tour of Quebec co-ops and credit unions.*

## Missouri credit union collaborates with value-added cooperative

Ripley County, called "the lumber capital of the world" 150 years ago, is now Missouri's second poorest county. About 50 small sawmills in the area were facing elimination several years ago. At the same time, many small-scale forest owners, most of them farmers, did not consider their woodland as a significant asset.

The Missouri Farmers Union Family Farm Opportunity Center (Center) helped them develop a business plan for a value-added hardwood co-op that would not increase risks for their families.

One key to the co-op's success was that the Center had helped start several community development credit unions (CDCU) during the past few years. CDCUs make it possible for independent businesses, small-scale farmers

and rural families to gain access to capital. While they still had to meet the credit union's standard criteria, the support they got made it easier for the 65 members of Ozark Quality Hardwoods Co-op to move forward.

"What we're trying to do is very challenging, given the resources in this part of the state," says the Center's Russ Kremer. "But these farmers have the heart for it. They are not trying to get rich."

Kremer says that when it opens, the co-op's facility will employ at least a dozen people. This is welcome news in Ripley County where, as he points out, people "just want to be able to watch their kids grow up."

And maybe even their grandkids.



# Miracle on the Bayou

*How one Louisiana parish is resurfacing from disaster*

**By Jane Livingston**

*Editor's note: Livingston is a Maine-based writer with extensive co-op experience.*

**P**laquemines Parish was the first part of Louisiana to feel the wrath of Hurricane Katrina in the early morning hours of Aug. 29, 2005. The hurricane barreled up the Gulf of Mexico and slammed into Breton Sound, spewing its fury on this southernmost parish that stretches like a long finger from the outskirts of New Orleans deep into the Gulf.

The very tag end of the Mississippi River splits Plaquemines right down the middle, into Left and Right Banks. Long before Katrina and Rita hit them, residents of the two banks have harbored some hard feelings toward each other. These residents include African Americans whose families have lived on the bayous for generations, Native Americans whose families have lived here even longer and newcomers from Vietnam and other Southeast Asian countries, many of whom are willing to work for less than a living wage in order to establish their businesses.

All of them feel the pressure of trying to make a living from doing the same thing: fishing. The waters here afford some of the best commercial fishing grounds in the world, but the people who catch the shrimp, oysters, crabs, red snapper and other seafood have long watched most of the profits go to the big commercial enterprises.

“Even before the storms, residents of the lower portion of

the parish were living below the poverty line and earning an income of less than the average median household income,” says Cornelius Blanding, disaster recovery coordinator for the Federation of Southern Cooperatives.

“For generations, the fishermen of Plaquemines Parish have had no alternative to the commercial docks for purchase of essential services and sale of their catches at consistently low prices,” he explains.

## **80 percent of fleet lost**

The situation was even worse after the storms had passed. About 80 percent of the parish's commercial fleet was wiped out. Nearly every dock was gone. In addition to their boats, their equipment and their businesses, many people living along the water's edge lost their homes.

Today, even though recovery has been achingly slow in coming (the parish is just now getting most of its water and electricity restored, and many families still live in FEMA-supplied trailers), the multicultural fishing community is coming together, surmounting overwhelming obstacles to take the future into their own hands by forming a cooperative business.

The South Plaquemines United Fishermen's Cooperative plans to provide its members with docking facilities and services, and a marketing and distribution system that is looking to re-establish the parish's devastated commercial fishing industry from the bottom up.

The Plaquemines miracle began in September 2005, soon after the Federation of Southern Cooperatives (FSC) began setting up workshops in hurricane evacuee camps and





*Hurricane Katrina destroyed 80 percent of the fishing fleet and most fishing docks (left) in Plaquemines Parish. A diverse group of people are trying to get the industry back on its feet under the banner of a new co-op. Photos courtesy Federation of Southern Co-ops and USDA*

community centers to teach people about the cooperative business model.

Historically, co-ops have a lot to offer people in an economic crisis. FSC was formed 40 years ago to assist Black farmers struggling to become masters of their own destiny, and it has helped thousands of families working together achieve what would have been impossible to achieve working alone.

When the FSC team brought their information to a group of fishermen in Plaquemines, it started a chain reaction. As more people heard about the idea, old differences and biases began to seem less important than did the possibility of finding a silver lining behind the huge dark cloud that roared ashore on the twenty-ninth day of August 2005.

### **Co-op grows rapidly**

FSC staff continued to work with the rapidly growing group, helping it through the initial stages of forming a cooperative. An FSC co-op development specialist continues to provide the co-op with technical assistance and training.

Early in 2007, the FSC initiated the process of developing a feasibility study and business plan.

In early March, Bill Brockhouse, a cooperative development specialist with USDA Rural Development, met with the co-op steering committee as the first step in drafting a feasibility study for the co-op. Brockhouse advised the committee on the process he would follow in developing a feasibility study, including its assumptions, format and contents. He also suggested surveying prospective members.

“The survey will help gauge how strong the interest in the

cooperative is, and can help the steering committee identify issues they will need to address,” says Brockhouse. Based on prior meetings, the co-op's leadership estimates there is a potential of 50-100 members for the co-op, representing both the Left and Right Banks of the parish and a cross section of its ethnic and cultural diversity.

“I was impressed with the 15-person steering committee I met with in Plaquemines,” Brockhouse says. “They have obviously been meeting regularly and, with assistance from the Federation of Southern Cooperatives, have thought a great deal about the important issues in forming a co-op. There are fishermen (and women) who fish for different species (crabs, oysters, shrimp, finfish) who are all focusing on one goal: forming a co-op. In the past, I am told, it was difficult to even get these different groups in the same room together. So the prospect of them pulling together to form a co-op is exciting.”

Additional technical assistance, funds and support have been committed by the Cooperative Development Foundation, Louisiana State University, Southern University in Baton Rouge and Oxfam America.

South Plaquemines United Fishermen's Cooperative decided early on to open membership to any small fishing enterprise in the designated area.

Members recognize that there is not only an opportunity to rebuild a local economy that is more robust, more democratic, and more efficient than the pre-Katrina economy. There is a "co-opportunity" as well, to create a more robust community that can meet the challenges of life on the Louisiana bayous. ■



# Winds of Change

*China looks to co-ops to help farmers duplicate success of its industry*

**By John Dunn**  
Director, Co-op Resources &  
Management Division  
USDA Rural Development

**T**he winds of change are blowing across the cooperative landscape in China. In October 2006, the People's Republic of China (PRC) adopted new cooperative legislation, providing formal recognition of a new cooperative model forged in the spirit of that nation's evolving acceptance of private business as the key to economic prosperity.

## **Evolving co-op model**

Cooperative businesses have operated in China since the early 20th century. Prior to World War II, most of the cooperatives in China were involved with credit. Following the communist takeover, emphasis changed in cooperative development to promote farm marketing and farm supplies. But these cooperatives were formed on the communal-farm model.

This system of combining

cooperatives and government hurt the enthusiasm of farmers to produce and hindered farm production. Following the Cultural Revolution, a slow transition began away from communal co-op models toward a more Western-type co-op model that rewards private initiative.

There are presently an estimated 160,000 farmer cooperatives with 23 million farmer-members in China. Many of these cooperatives were initiated or formed by the government as a way of rationalizing and supporting supply and marketing channels, which are often run by government-owned or -control enterprises.

Prior to the new Chinese legislation, entrepreneurial cooperatives had become the predominant cooperative model being promoted and adopted. These are actually business organizations formed by individuals or processing companies to "capture farmers" in a manner that locks the co-op to an individual's business.

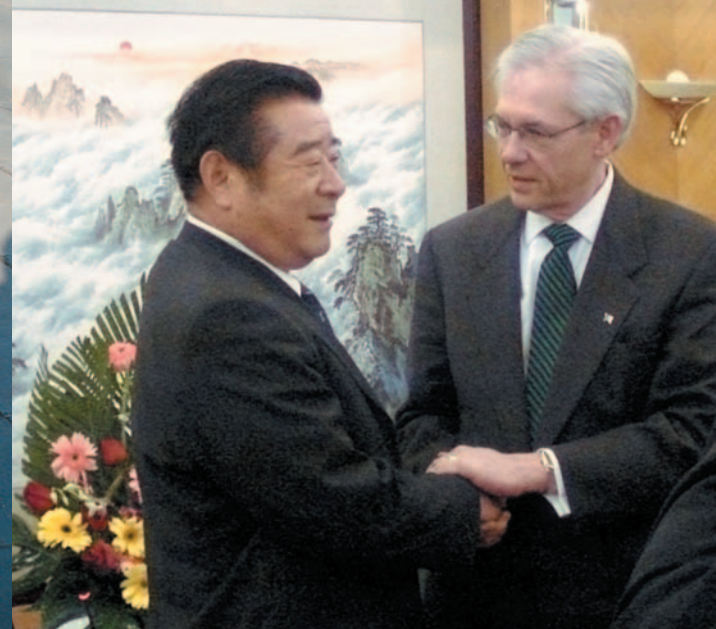
The small farmer in an area controlled by this type of "cooperative" has the choice of being in the cooperative or not. But if farmers

choose not to join, they may be left with no alternative markets, sources of farm inputs or access to other benefits that the government provides strictly through cooperatives. This model has been widely promoted, in particular by local authorities who depend on agricultural taxes to support their government operations. This model provides a larger and more assured flow of tax revenues.

The All China Federation of Cooperatives, formed in 1950, is the apex organization of national-level cooperative associations. Its members are national cooperative enterprises that are the primary supply chains — for inputs and outputs — of the agricultural sector, including basic materials production, manufacturing, processing, distribution, marketing, retail and finance.

The span of the Federation is far wider than agriculture, covering such industries as recycling, tourism, catering and international trade services. The Federation has been closely linked to the government and the promotion of its cooperative models since its inception. It has played a significant role in organizing and assisting in the startup





*Town and country: building activity is changing the skyline of Beijing, China, while children in rural China say hello to a group of touring Americans; Thomas Dorr, USDA Under Secretary for Rural Development, is greeted by Liu Mingzu, China's agriculture minister. USDA photos by John Dunn*

of new farmer cooperatives and is expected to continue as a key player in the development of the new model cooperatives.

### **New cooperative law**

China's new cooperative law is the first codification of cooperative enterprise in post-World War II China. The statute contains broad definitions of cooperatives as user-owned and -controlled businesses in a manner that generally conforms to the statement of cooperative principles adopted by the International Cooperative Alliance (ICA).

Before the new law, cooperatives were loosely regulated or supervised by three PRC ministries: Agriculture, Science and Technology Association, and the Commerce and Industry Bureau. Under the new law, the registration (incorporation) of cooperatives will be the sole responsibility of the Commerce and Industry Bureau. Agronomic and scientific advice to farmers will be provided by the Science and Technology Association, while cooperative support will be provided through the Ministry of Agriculture's Ag Bureaus, primarily

operating at the township level.

In December 2006, a conference on "Promoting the Development of Farmers' Cooperatives" was held in Beijing. Speakers included cooperative experts from many parts of the world, yet primarily represented an extensive range of government leaders, including representatives from USDA Rural Development, led by Under Secretary Thomas Dorr, scholars and legal experts from throughout China.

The new law will need to be promulgated through a set of regulations yet to be developed. This cooperative conference was a part of the deliberative process in developing those regulations.

### **Challenges lie ahead**

Observers of the cooperative conference in Beijing were thrilled to hear Chinese leaders articulate concepts of cooperation so central to cooperative philosophies and principles. Speaker after speaker talked about democratic control, local autonomy, freedom of choice and education. The spirit of true cooperation was in evidence.

Yet there are tall challenges to this

new cooperative approach in China.

The Chinese farming sector has lagged behind the tremendous successes of that nation's industrial sector. Poverty and social strife are significant. China looks to the cooperative business model as the hope to overcome the significant and systemic problems of its rural areas.

These many challenges include: How can the government redefine and reduce its role in cooperatives? How will local Chinese government, which dominates local economic life through the distribution of government benefits, carry out its role as primary cooperative startup assistance providers? How will small farmers of China gain the knowledge to manage their cooperative businesses and the trust that they have the ability to do so?

Great hope is evident in the cooperative movement in China. Cooperation and partnership with Western governments, cooperatives, educational institutions and non-profit organizations will open the doors to wealth creation and productivity for the farmers of China. The rewards of success in this experiment will extend through generations. ■

# Housecleaning co-op members see income, benefits rise sharply

By Anne Todd

USDA Rural Development



Women's Action to Gain Economic Security (WAGES), a nonprofit organization based in Oakland, Calif., was formed more than 10 years ago to help empower low-income women, both economically and socially, through cooperative business ownership. WAGES serves the greater San Francisco Bay area and specializes in housecleaning co-ops. Because the majority of housecleaners in California are Hispanic, WAGES focuses on helping Hispanic women. With WAGES' support, Latina women are moving out of poverty and into entrepreneurship.

WAGES was developed by women for women. It is founded on the cooperative model so that women will pool their skills and work together to succeed. A co-op is a business owned and controlled by those who work in it. Members make decisions democratically by giving each person a vote and distributing income equitably to all workers. The co-op business model enables workers to reap more benefits and have a stronger voice in their workplace.

WAGES incorporated in 1994 and opened its first offices in 1995. The first business WAGES helped develop was "Heaven Sent Housecleaning" in Palo Alto. In 1998, the organization began fostering cleaning co-ops in Silicon Valley and, by 2000, it had expanded its efforts throughout the Greater Bay Area.

Today, three WAGES co-ops are thriving: Emma's Eco-Clean in Redwood City, founded in 1999; Eco-Care Professional Housecleaning in Morgan Hill, founded in 1999; and Natural Home Cleaning in Oakland, founded in 2003.

All of the WAGES-sponsored businesses use an EFC™ (Eco-Friendly Cleaning) method as an integral part of their operation. EFC is an environmentally friendly housecleaning system that uses nontoxic, biodegradable cleansers and reusable cleaning tools. This EFC method protects the health of owners/workers, their customers and, ultimately, the environment.

In 2005, WAGES calculated that use of the method by the three co-ops cumulatively prevented the release of 4,000 pounds of hazardous materials in that year alone. Because of the success of this system, other organizations — Eco-Bay Landscaping in Oakland and Eco-Clean in Winnipeg,



Ana Maria Alvarez formed Natural Home Cleaning to help boost pay and benefits for San Francisco Bay Area housecleaning workers. Photo by Jason Steinberg, courtesy WAGES

Canada — have started green co-ops as well, with assistance from WAGES.

WAGES has developed criteria to assess business enterprises before it organizes a new co-op. The business should provide women with a stable, decent income after a two-year period, require minimal investment of time on their part (not more than 100 hours of vocational training), be financially accessible to them (under \$100,000 in

*continued on page 32*



Petroleum sales helped boost farmer co-op income to a record level in 2005. Photo courtesy CHS Inc.



# Farmer co-ops report record net income

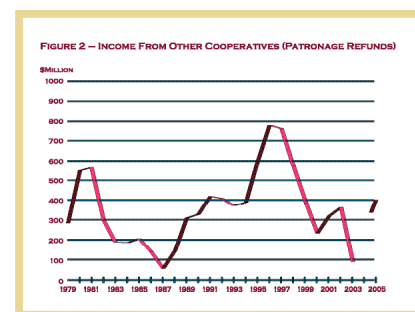
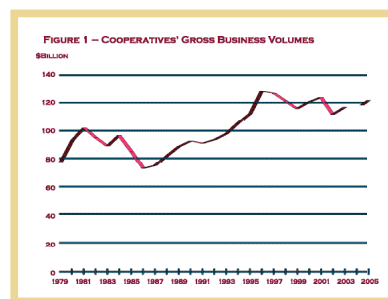
*Editor's note: Information for this article was compiled by the Statistics Staff of USDA Rural Development's Cooperative Programs, including Katherine C. DeVille, Jacqueline E. Penn and E. Eldon Eversull.*

**F**armer cooperatives reported more than \$2.5 billion in pre-tax net income for 2005, a new record and an increase of 130 percent from 2003, when USDA last surveyed farmer cooperatives. Net revenue from sales and services was \$106.4 billion in 2005, the highest level since 1997 and up 6 percent from 2003. Revenue includes receipts from the sale of crops, livestock and value-added products marketed by cooperatives, as well as farm-production supplies sold and services provided by cooperatives. It does not include sales between cooperatives

Farm supply sales – buoyed by higher petroleum prices – led the way, climbing 11 percent from 2003. Crop and livestock marketing by cooperatives also climbed 1 percent from the previous year. Service sales fell about 5 percent (table 1).

Gross sales (which includes co-op to co-op sales) increased to \$121 billion, compared to \$117 billion in 2003. The gain was remarkable, given the bankruptcies of two large farmer cooperatives in 2003 and the conversion of a large poultry cooperative in 2004. A large farm supply cooperative was also converted to an investor-owned firm in 2005.

Equity capital fell by about \$900 million, and remained



low at 42 percent of all assets. Cooperative assets fell by \$300 million as liabilities grew \$600 million, lowering equity by more than 4 percent.

Patronage refunds rebounded from \$92 million in 2003 (the lowest since 1987) to \$400 million in 2005, which is close to the modern average (figure 2).

Farmer cooperatives remain one of the largest employers in many rural communities, with more than 180,000 workers

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Send items to: [dan.campbell@wdc.USDA.gov](mailto:dan.campbell@wdc.USDA.gov)

**Cass-Clay, AMPI propose merger**

North Dakota-based Cass-Clay Creamery Inc. and Minnesota-based Associated Milk Producers Inc. (AMPI) announced plans in February to merge, which would create a dairy co-op with more than \$1.1 billion in annual sales. The boards of directors of the two dairy cooperatives approved the merger, which will require approval by Cass-Clay members.

Together, the cooperatives would provide a complete line of dairy



products to a regional and national marketplace. Based on Hoard's Dairyman data for 2005, after a merger, AMPI would rank sixth nationally in milk production, nearly equal with No. 5 DairyLea.

"This merger is an exciting development for the farmer-owners, employees and customers of Cass-Clay," says Keith Pagel, Cass-Clay president and general manager. "It will position us for long-term success in the dairy industry through gained efficiencies and the ability to offer a complementary line of dairy products to the marketplace."

Known for quality fluid milk, ice cream and cultured products such as

yogurt and sour cream, Cass-Clay® is a recognized dairy brand in the upper Midwest. AMPI is a private label manufacturer of consumer-packaged cheese, butter, instant milk and shelf-stable dairy products.

"To compete in a rapidly consolidating food industry, Midwest dairy farmers and their cooperatives must look for new ways to work together," AMPI General Manager Mark Furth says.

"This merger further illustrates our commitment to Midwest dairy farmers," adds Paul Toft, chairman of the AMPI board and a Rice Lake, Wis., dairy farmer. "AMPI is solely focused on making the Midwest the best place to produce milk."

To finalize the merger, the dairy farmer-owners of Cass-Clay must approve the transfer of assets to AMPI. The vote on the merger was to occur in March.

"Both cooperatives have outstanding reputations on the farm and in the marketplace," says David Glawe, chairman of the Cass-Clay board and a Detroit Lakes, Minn., dairy farmer. "It's good to be part of a merger that's farmer-driven, farmer-controlled and a positive step for both cooperatives."

Cass-Clay Creamery has more than \$100 million in annual sales. The cooperative's 200 farmer-owners operate dairies that produce about 300 million pounds of milk in North Dakota, South Dakota, Minnesota and Montana. The farmer-members of Cass-Clay also own two manufacturing plants and the Cass-Clay® brand, under which fluid milk, ice cream and cultured products are marketed.

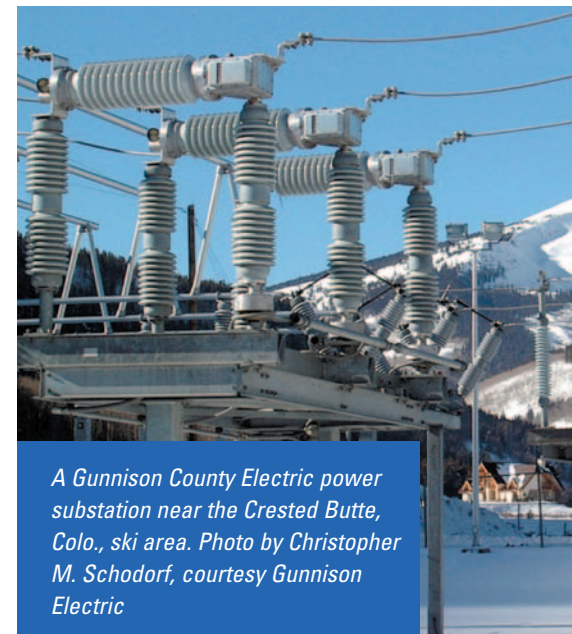
AMPI is owned by more than 4,000 members who produce 5 billion pounds

of milk annually. The co-op generates \$1 billion in annual sales. Members operate dairy farms in Wisconsin, Minnesota, Iowa, Nebraska, Missouri, South Dakota and North Dakota. They own 13 manufacturing plants and market a full line of consumer packaged dairy products.

Cass-Clay would extend AMPI's product lines to a range of "soft products," including ice cream, ice cream mix, sour cream, dips, cottage cheese and yogurt. Cass-Clay also makes specialty cheese, such as Romano and Parmesan, for the food ingredients industry and brings the co-op expertise in marketing branded consumer products.

**USDA announces \$90 million in electric loans in 10 states**

Agriculture Secretary Mike Johanns in January announced that \$92 million in electric loans will be provided to electric cooperatives in 10 states. An estimated 14,093 new customers will be served and 850 miles of distribution lines will be constructed with the funds,



A Gunnison County Electric power substation near the Crested Butte, Colo., ski area. Photo by Christopher M. Schodorf, courtesy Gunnison Electric



which are being provided through USDA Rural Development's Electric Program.

"The Rural Electric Program is an important tool as we continue to upgrade the nation's power grid and provide for the needs of rural residents," said Johanns. "Reliable electric service is a key to developing rural economic opportunities and other infrastructure."

The rural utilities receiving the loans are in: Colorado, Georgia, Iowa, Indiana, Kentucky, Minnesota, Missouri, Montana, Nebraska and Wyoming. Examples of these projects include:

- In Kentucky, the Jackson Purchase Energy Corporation will receive a \$12.1 million loan to improve electric service in six counties. It will construct 74 miles of new distribution lines and make other system improvements. An estimated 1,235 new customers will be served.
- In Colorado, the Gunnison County Electric Association will receive a \$57 million loan to construct 33 miles of new distribution lines and make system improvements, providing service to 1,122 new customers in a three-county area.

A complete list of the loan recipients is available at: [www.rurdev.usda.gov](http://www.rurdev.usda.gov). Since the beginning of the Bush Administration, USDA Rural Development has made 1,134 electric

loans valued at more than \$23.9 billion.

### Indiana co-ops to merge

Ag One Co-op, Anderson, Ind., and Harvest Land Co-op, Richmond, Ind., have voted to merge into a co-op that will have sales of more than \$200 million annually. The two farm supply and grain co-ops are owned by 7,300 farmer-members. The merger is to be effective Sept. 1.

"Hoosier Ag Today" reported that the cooperatives will continue to use the Harvest Land Co-op name and will be headquartered in Richmond. Keith Applegett, current CEO of Ag One, will serve as CEO of the merged co-op. The co-op will operate facilities in 45 communities throughout eastern Indiana and western Ohio.

In another Hoosier state merger, members of the Gibson County Co-op, the Dubois County Co-op in Huntingburg, the Warrick County Co-op in Chrisney and the Spencer County Co-op voted to approve a merger to gain greater buying power. The new co-op was to begin operations March 1 under the name Superior Ag Resources Cooperative Inc., with the Huntingburg Co-op office serving as the headquarters.

Annual sales of the merged co-ops will be more than \$100 million, according to a joint press release from the four organizations. The co-op will have a 15-member board, with six directors from Dubois County and three each from the Gibson, Spencer and Warrick Co-ops.

### LOL sales top \$7.3 billion

Strong fourth-quarter performance for Land O' Lakes Inc. (LOL) contributed to 2006 net earnings of \$88.7 million and net sales of \$7.3 billion. That compares to net earnings of \$128.9 million and sales of \$7.6 billion in 2005. Net earnings for 2005, however, included a \$69.7-million gain on the company's sale of its ownership position in CF Industries Inc. Excluding that gain, net earnings were up 50 percent.

LOL's long-term-debt to capital ratio

was 40.1 percent at the end of 2006 vs. 41.6 percent at the end of 2005. The company reported strong financial liquidity, ending the year with a



combination of cash-on-hand and unused borrowing authority of approximately \$451 million.

- Dairy Foods – 2006 sales were \$3.4 billion, compared to \$3.9 billion for 2005. The decline was primarily the result of depressed commodity (milk, butter, cheese) markets. Pre-tax earnings, however, were up dramatically, to \$47.2 million, which compares to a "basically break-even performance in 2005." Retail butter volume was up 1 percent from 2005, led by the company's flagship branded butter (up 4 percent). Total butter and spreads volume were down 2 percent vs. one year ago. Total cheese volume was up 1 percent.
- Feed – Feed sales were \$2.7 billion, up from \$2.6 billion in 2005. Pre-tax earnings of \$36.7 million were up just slightly from 2005. Sales volume grew in most feed product segments, led by a 4-percent jump in "lifestyle feeds." Livestock feed volume was down 5 percent.
- Layers/Eggs – Depressed egg prices continued to impact 2006 performance of LOL's MoArk LLC layer/egg business. Sales of \$398 million were down from \$407 million in 2005, due to the sale of its liquid-eggs business in June 2006. Volume was up about 2 percent for shell-eggs, with branded and specialty eggs up 28 percent over 2005. The business lost \$40.2 million (pre-tax) compared to a loss of \$31.8 million in 2005.
- Seed – Seed achieved a record \$756



million in sales and a record \$40.1 million in pre-tax earnings, both well beyond 2005's \$654 million in sales and \$29.4 million in earnings. Volume was up 10 percent in corn, 3 percent in soybeans and 17 percent in alfalfa.

- **Agronomy** – Agronomy pre-tax earnings were \$11.8 million, compared to \$95.5 million in 2005, which included a \$73.5-million pre-tax gain on the CF Industries sale. Company officials noted that both volume and margins in crop nutrients were depressed by a late planting season and uncertainty early in the year regarding nitrogen prices. In addition, the devaluation of the crop protection products industry posed a continuing challenge.

#### **MMPA returns \$1.6 million in cash patronage to members**

Michigan Milk Producers Association recently paid more than \$1.6 million in cash patronage refunds to its dairy farmer members. This cash allocation represents approximately 30 percent of the \$5.4 million allocated net earnings generated by the cooperative in fiscal year 2006. The cash patronage returned includes 100 percent of the farm supply earnings and 25 percent of the milk marketing earnings. All members who marketed milk through MMPA for fiscal year 2006 will be receiving a portion of the patronage returns.

MMPA members received other cash payments in May 2006 of more than \$6.2 million through retirement of the cooperative's remaining 1996 equities and all of the 1997 equities. In October 2006, MMPA members received \$2 million in cash payments in the form of a "13<sup>th</sup>" milk check. With the current payment of \$1.6 million, cash payments in the last 10 months total more than \$9.8 million.

Since 1987, MMPA has operated without an equity capital retain, relying on the Association's plant operations, milk marketing and member dues to fund the cooperative. MMPA serves nearly 2,400 dairy farmers in Michigan,

Indiana, Ohio and Wisconsin.

#### **Southern States board elects new chairman**

John East, a Leesburg, Ala., grain, cotton and beef producer, is the new board chairman of the Southern States Cooperative Inc. East was elected to succeed Wilbur C. Ward of Clarkton,



*Southern States Chairman John East.*

N.C., during the board's last reorganization meeting in Richmond, Va. East served as vice chairman during Ward's three years as chairman, and has been on the co-op's board since 1999. Elected to succeed East as vice chairman was Eddie Melton, who raises grain and beef cattle in the Sebree, Ky., area. Melton has served on the Southern States board since 2000.

East is a member of the Alabama and Cherokee County Cattleman's Associations and the Alabama Farmers Federation. Last year, he received the Distinguished Cooperator Award from the Alabama Council of Cooperatives and in 2004 the Farm-City Committee of Alabama named East Farms the state's Farm of Distinction. The new board chairman also serves on Congressman Mike Rogers' Agricultural Advisory Committee. East and his family have a diversified, 2,500-acre operation that includes cotton, corn, soybeans and hay, as well as 500 acres of timberland and 650 acres in pasture for some 400 beef cattle.

#### **Missouri Farmers Union marks centennial anniversary**

In March 1907, farm and rural leaders gathered in West Plains, Mo., to attend the founding convention of the Missouri Farmers Educational and Co-operative Union, the organization now known as Missouri Farmers Union. This past Jan. 26-27, Missouri Farmers Union celebrated its rich rural heritage with a centennial convention in West Plains.

In 1907, farmers were concerned about the low prices of cotton that threatened their family livelihood. They joined the farm organization that started in Point, Texas, in 1902 and was then sweeping the south with new chapters forming every day. This organization offered hope for the depressed farm economy through legislation to help family farmers; its innovation is assisting farmers in starting cooperatives and providing educational resources for rural area.

Today, Missouri Farmers Union continues to work on the same issues: legislation, cooperation and education. In the past seven years, the organization has helped Missouri farmers form value-added cooperatives to market their products. The Farmers Union continues to advocate for fair prices and increased market access for farm products.

#### **Grain co-op specialist Charles Hunley dies**

Charles "Chuck" L. Hunley — a USDA agriculture economist known for his work with many of the nation's grain cooperatives — passed away on March 3. Mr. Hunley, who worked for USDA for about 30 years, joined what was then the Agricultural Cooperative Service (now the Cooperative Programs office of USDA Rural Development) in 1982, where he worked with grain, rice and tobacco cooperatives. Prior to that, he had worked in the Grain Market News section of USDA's Agricultural Marketing Service, which he joined in about 1964. Mr. Hunley retired from USDA in 1994.

Mr. Hunley provided technical advisory assistance to cooperatives producing wild rice, dry beans, domestic



rice and other grains. He authored or co-authored a number of research reports, including: "Cooperative Involvement, Adjustments and Opportunities in Grain Marketing" in 1984, "The Role of Cooperatives in Tobacco Marketing" in 1988, "Cooperative Marketing of Pulses" in 1992 and "Marketing and Transportation of Grain by Local Cooperatives" in 1983.

### **NMPF seeks data on ethanol impact on dairy economics**

Many dairy farmers are feeling the pinch of higher corn prices resulting from demand for ethanol production. Because of concern about the impact of biofuel production on the economic health of dairy farmers, the National Milk Producers Federation (NMPF) is asking USDA to investigate the overall implications of the rising production of biofuels on food production in the United States.

While NMPF understands the need to develop alternatives to imported petroleum fuels, "We think it is important for both sides of this story to be evaluated, and that is why we are asking the Agriculture Secretary to form a working group to study the implications on food producers of the emerging biofuels industry," says Jerry Kozak, president and CEO of NMPF.

In the letter, NMPF, along with five other organizations representing the livestock sector, ask Secretary Mike Johanns to assemble a working group within the USDA Chief Economist's Office to study the emerging biofuels economy and its full implications for milk and meat producers, as well as consumers of those products. The other groups are the American Meat Institute, the National Cattlemen's Beef Association, the National Chicken Council, the National Pork Producers Council and the National Turkey Federation. They share concerns that producers may face challenges in sustaining their operations alongside a robust and growing ethanol economy.

"Ethanol production will have an economic impact on the U.S. livestock industry; good for some, and bad for

others," says Kozak. "Given that corn prices are the major feed input cost for dairy cows, and that corn is expected to reach record price levels in 2007, USDA needs to do more homework on the implications of the ethanol gold rush on milk and meat costs. What's good for energy prices may not be so good for food prices, and we don't want the viability of the biofuels sector to come at the cost of losing the viability of our dairy industry."

### **USDA marketing grants available**

USDA's Agricultural Marketing Service is offering \$1 million in competitive grants to support farmers markets and other direct marketing projects. The money is available under the Farmers Market Promotion Program (FMPP) for 2007.

Agricultural cooperatives, local governments, nonprofit corporations, public benefit corporations, economic development corporations, regional farmer's market authorities and Tribal governments may consider proposals for these grants. The allocation of grants will be carried out in a single round of competition. The maximum amount of any one proposal is \$75,000.

To read the complete notice of funding availability, visit: [www.ams.usda.gov/FMPP/FMPP/FY-07/NOFA.pdf](http://www.ams.usda.gov/FMPP/FMPP/FY-07/NOFA.pdf).



*Domino Sugar's processing plant in Toronto, Canada.*

### **American Sugar Refining acquires Redpath Sugar**

American Sugar Refining Inc. (widely known as "Domino") has agreed to acquire Tate & Lyle Canada Ltd. ("Redpath"). Domino is owned 64

percent by Florida Crystals Corporation and 36 percent by Sugar Cane Growers Cooperative of Florida, an ag co-op owned by 49 sugarcane growers. Florida Crystals is a subsidiary of Flo-Sun Inc.

The acquisition will make Domino more competitive, its leaders say, and enhance its ability to serve its customers, many of whom have operations in both Canada and the United States.

Redpath operates Canada's largest cane sugar refinery in Toronto. Its sugar is marketed under the Redpath trademark, one of the oldest and most recognized trademarks in Canada. Domino markets its products under the Domino and C&H sugar brands. It owns and operates sugar refineries in Yonkers, N.Y.; Baltimore, Md., Chalmette, La., and Crockett, Calif.

### **UK merger would create world's largest consumer co-op**

The boards of the Co-operative Group and United Co-operatives have agreed to recommend to their members that approval be given to a merger of their two societies. If approved, the new co-op would begin operations in late July and would be the world's largest consumer co-op, with annual turnover of more than 9 billion pounds. Meetings of members to consider the recommendation will take place in April and May.

The two co-op boards have also announced that the new society's enlarged Trading Group would be headed by Peter Marks, currently chief executive of United Co-operatives, with David Anderson continuing as chief executive of Co-operative Financial Services, the Group's financial arm which embraces the Co-operative Bank and Co-operative Insurance.

In a joint statement, Bob Burlton, chairman of the Co-operative Group, and Bill Hoult, president of United Co-operatives, said: "We are delighted that our two boards have given the green light to the merger. If approved by our members, it will be the most far-reaching [merger] in the history of the

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## EXTRA

# SkillsUSA prepares students for trade, technical careers

By Anne Todd

USDA Rural Development

Farm, utility, retail and other types of cooperatives interested in helping to ensure America has the type of skilled workforce it requires may want to consider becoming involved with SkillsUSA, a national, nonprofit organization helping to turn today's young people into tomorrow's skilled workforce.

The SkillsUSA program assists high school and college students who are preparing for trade, technical or skilled service careers. The program is carried out through a partnership among participating students, teachers and industry representatives, who all work together to help the students excel in their chosen field of study. In coordination with their vocational training, SkillsUSA also helps students develop their employability and leadership skills so that they can become well-rounded workers and citizens.

Today, SkillsUSA membership stands at over 283,000. There are more than 14,700 SkillsUSA professional educators providing hands-on high school- and college-level classes for students using curricula spanning 130 different trade, technical and skilled service jobs. The SkillsUSA program is offered in more than 17,000 classrooms in about 3,700 public schools and colleges in all 50 states, the District of Columbia and the three U.S. territories. SkillsUSA chapters are available in high schools, career and technical schools and two-year colleges.

Founded in 1965, SkillsUSA (originally known as VICA, the Vocational Industrial Clubs of America Inc.) has developed more than 9.2 million workers through active partnerships between employers and educators. Furthermore, hundreds of American industries have turned to SkillsUSA as a source for highly trained and able employees.

SkillsUSA sponsors several competitions to encourage student development and growth. The premiere event is the "SkillsUSA Championships," through which students compete to showcase the knowledge and abilities they have acquired. Competition begins at the local level, continues at the state level and culminates at the annual national championship held in Kansas City, Mo. Additionally, SkillsUSA represents the United





States in the WorldSkills Competition, an international biennial event.

SkillsUSA also offers students specialized programs designed to meet the evolving needs of industry and emerging trends in education. For instance, "CareerSafe" is an online training course about workplace safety provided through the U.S. Occupational Safety and Health Administration. SkillsUSA's "Professional Development Program" – developed by the organization in conjunction with private industry – helps students learn employability skills such as the ability to communicate, work collaboratively on a team, resolve conflicts, address ethics challenges, and manage their time and assignments. SkillsUSA is about to release the online Career Skills Education Program (CSEP) to teach employability skills to college age students.

Reminiscent of the cooperative business model where members mutually own, control and benefit from their business enterprise, local SkillsUSA chapters are run by the students themselves, with adult guidance. Participating students elect officers, and plan and carry out their own community service, professional development, employment, public relations and competition activities.

SkillsUSA provides training to students in dozens of subjects that are related to the agriculture sector, and are needed for the successful delivery of U.S. Department of Agriculture (USDA) programs and services. Examples include: computer maintenance, networks and programming; communications; diesel equipment technology; telecommunications; electronics; entrepreneurship; environmental control technology; food management, production and nutrition; forestry; horticulture; industrial electricity; meat cutting; office technology; power equipment technology; public service occupations; and total quality management.

Cooperatives and other rural businesses can benefit from working with, supporting, and exploring recruitment opportunities available through SkillsUSA. To learn more, contact SkillsUSA at: SkillsUSA, P.O. Box 3000, Leesburg, Va. 20177-0300; Phone: (703) 777-8810; Fax: (703) 777-8999; Web site: <http://www.skillsusa.org>.



SkillsUSA students celebrate a medal-winning performance (opposite page). Above, TeamUSA 2005 represented America in an international work skills competition. Photos courtesy SkillsUSA

co-operative movement in the UK, creating the world's largest consumer co-operative. The financial strength of the new organization is good news for members, staff and customers. In the highly competitive markets we operate in, it will help ensure the continuing growth and profitability of our businesses so that we can reward our members and fulfill our social goals in the communities we serve."

Commenting on the boards' decision, Marks said: "The business case for merger is overwhelming. The two societies activities are geographically complementary and together account for over 80 percent of co-operative retail trade in the UK. The merger would, for the first time, better enable the new organization to effectively manage the co-operative brand — one of the most trusted in the UK — across all its business activities."

#### Noted dairy scientist to head West Central research team

West Central Cooperative in Iowa has announced that former USDA researcher Dr. Jesse Goff was to assume duty March 1 as the cooperative's director of research and new



Dr. Jesse Goff is heading research for West Central Cooperative.

product development. He will focus attention on the co-op's two dairy products: SoyPLUS® and SoyChlor®.

Goff comes to West Central after more than 20 years working at USDA. He also taught at Iowa State University's Veterinary College. Goff's research has focused on various issues within the dairy industry, most recently on metabolic diseases and mastitis immunology.

Dr. Goff earned his bachelors degree from Cornell University. He went on to receive his master's degree, DVM and Ph.D. from Iowa State University in Ames, Iowa. His graduate studies have primarily focused on nutrition and physiology.

"We're thrilled to have a world-renowned researcher on our staff," says Milan Kucerak, West Central's executive vice president of soy processing and nutrition.

West Central is one of the 20 largest grain companies in the United States, with 3,148 stockholders, and handled 80.9 million bushels of in-bound grain in 2006. The company provides members with agronomy inputs and further processes soybeans into a variety of value-added products. ■

## Housecleaning co-op members

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capitalization requirements) and not harm the environment. WAGES co-ops receive start-up loans through Lenders for Community Development in San Jose, Calif. After three to four years of WAGES support, the co-ops are expected to be self-sufficient and independent.

In the future, WAGES hopes to expand its consulting work and help bring its eco-friendly model to communities in other parts of the country. The organization also plans to expand its Northern California Co-op network by launching new WAGES co-ops.

WAGES has had a significant impact on the Hispanic women who have taken part. Records indicate that co-op members are earning 50 to 100 percent more than they would working at a conventional cleaning company. On average, their household incomes have increased by 40 percent. As the co-ops grow, they are also able to provide health insurance and other benefits for the worker-owners. These benefits typically are not available to low-income wage earners in conventional service jobs.

Ana Maria Alvarez, owner-worker at Natural Home Cleaning, immigrated to the United States in 2001. Of her experience she says, "It wasn't easy immigrating here, but I met my current husband and he helped me settle in Northern California. I worked cleaning houses and doing other kinds of domestic work for a Mexican family."

Regarding WAGES, Alvarez continues, "Today I feel happy. WAGES and Natural Home Cleaning are giving me the opportunity to work and to own my own business. I hope to move ahead and to work with others toward our common and individual goals. For me, the group experience is great because you learn to share with others and you learn things you didn't know — often, when I don't know something, my partner does."

To learn more about WAGES, visit <http://www.wagescooperatives.org>. ■

## Co-ops report record net income

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nationwide. However, employment fell by 46,000 due to the aforementioned loss of four large farmer cooperatives.

Farm numbers continue to drop, as do memberships and farmer

cooperatives. Cooperative memberships declined to 2.6 million, or about 7 percent from 2003. Many farmers are members of more than one cooperative, hence cooperative memberships exceed U.S. farm numbers. There are now 2,896 farmer cooperatives, down from 3,086 in 2003. ■

Table 1—U.S. farmer cooperatives, comparison of 2005 and 2003

Item	2005	2003	Change
	<i>Billion \$</i>		<i>Percent</i>
<b>Sales (Gross)</b>			
Marketing	78.0	77.2	1.01
Farm supplies	39.3	35.5	10.72
Service	3.9	4.1	-4.59
Total	121.3	116.9	3.76
<b>Balance sheet</b>			
Assets	46.6	46.9	-0.73
Liabilities	27.0	26.5	2.09
Equity	19.5	20.4	-4.40
Liabilities and net worth	46.6	46.9	-0.73
<b>Income Statement</b>			
Sales (Gross)	121.3	116.9	3.76
Patronage income	0.4	0.1	335.21
Net income before taxes	2.5	1.1	130.50
	<i>Thousand</i>		
<b>Employees</b>			
Full-time	125.4	165.1	-24.04
Part-time, seasonal	54.4	61.6	-11.62
Total	179.9	226.7	-20.67
	<i>Million</i>		
<b>Membership</b>	2.6	2.8	-6.75
	<i>Number</i>		
<b>Cooperatives</b>	2,896	3,086	-6.16



# Co-op Board Members

## You need these!

Co-op boards of directors are under increasing pressure to perform and justify their decisions. Get the information you need to fulfil your responsibilities.

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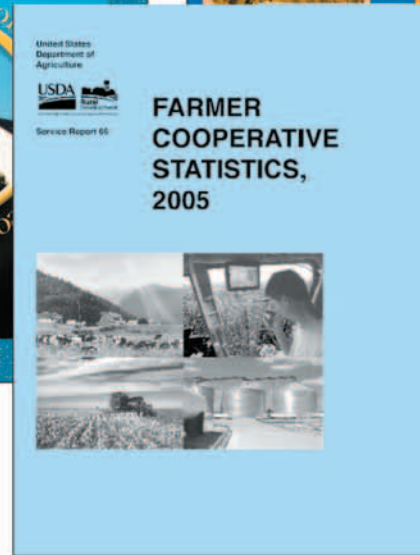
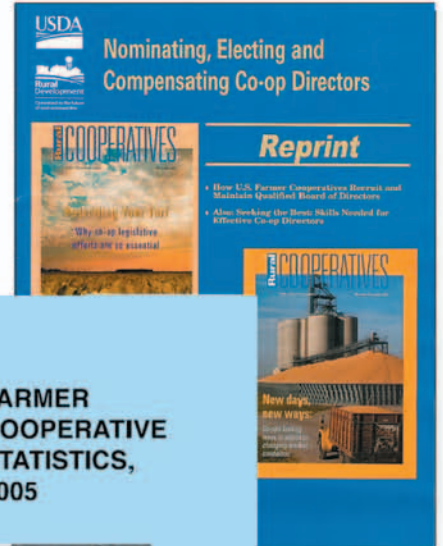
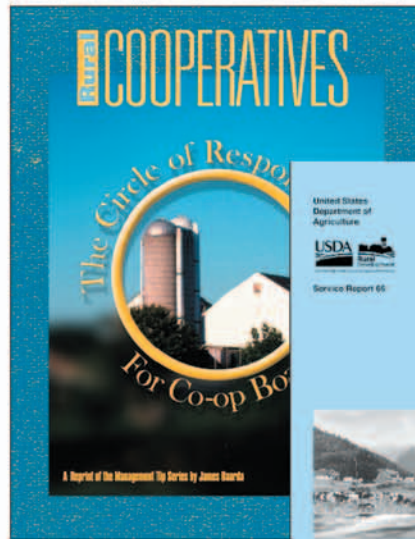
### **Nominating, Electing and Compensating Co-op Directors** – Cooperative Information Report 63

Reprint of four Rural Cooperatives articles on current practices in choosing and compensating cooperative board members, and the traits to look for in potential candidates.

### **Farmer Cooperative Statistics, 2005** – Cooperative Service Report 65

A survey of 2,896 U.S. farmer-owned cooperatives ending their business year in 2005. Information on number of cooperatives of various kinds, their membership, business volume, net income, basic balance sheet items, and employees.

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## From the archives of Rural Cooperatives and its predecessor magazines

### 50 Years Ago...

From the March & April 1957 issues of *News for Farmer Cooperatives*

#### New answer for an old co-op problem: the credit union

Many cooperative leaders today believe that accounts receivable and mounting pressure for credit pose one of the most serious problems for farm supply cooperatives. Co-ops wrestling with this issue should look at a unique plan being used by Dunn County, Wis., farmers.

In November 1945, Arthur Gilberts, a fuel oil deliveryman

for the Menomonie Farmers Union Cooperative, began suggesting that patrons use the Menomonie Farmers Credit Union to finance fuel oil purchases. This, he said, would permit the cooperative to use its limited operating capital for maintaining much-needed inventory and help farmers keep their own credit sound.

Gilberts pointed out to the farmers that it was as logical for them to drive down to their bank and ask for a tank of gas, as to go to their cooperative and expect credit. He explained that these different types of organizations render different types of service. This made sense to the farmers, and more of them joined the credit union and borrowed to finance purchases — not only fuel



oil, but also other supplies.

By 1949, the credit union was an important factor helping the cooperative keep accounts receivable under control. The directors invited Gilberts to become fulltime treasurer-manager. In November 1949, he started to build the credit union program. Fifty-eight new members, \$13,753 in new share capital and \$1,218 in loan volume were added during the next 60 days.

Today, this credit union has 2,500 members, \$860,000 in share capital and \$770,000 in loans outstanding to more than

1,100 area farm families. Since organization, it has loaned more than \$2.75 million with a loss of less than 0.3 percent. The credit union made 1,182 loans in 1956, totaling \$600,000. Loans averaged \$512 and ranged from \$60 for a 4-H project to a \$10,000 loan for a dairy farm.

For the farmer, this credit union promotes thrift, encourages savings and provides a sound local investment place. For the cooperative, this credit union makes it easier for the association to keep accounts receivable under control, reduce loss from bad debts and use funds more fully for operations. The Menomonie Farmers Credit Union is putting local capital to work in Dunn County for the mutual benefit of farmers and their co-op.

#### What kind of co-op package do farmers want?

The Indiana Farm Bureau Cooperative Association was set up 30 years ago to serve, through its county co-ops, an Indiana farmer who typically tilled 80 to 100 acres and had a livestock operation of 5 dairy cows, 10 brood sows and a flock of 100 laying hens. Today, typical farm size is 200 to 250 acres, and Indiana farms are highly specialized and mechanized.

These changes have vitally affected Midwestern cooperatives' promotional activities. The increased farm size means that the individual farmer approaches other business institutions' status in his buying. This also has affected co-op price policies.

The trend toward specialization has meant that, instead of being a jack-of-all trades, the individual farmer becomes a well-versed and highly trained specialist in narrower fields, such as broiler production or dairying. He must be talked to in advertising and personal sales contact as the kind of well-informed specialist which he is. Today's farmer will be quick to resent and resist quackery or unscientific products or services claims.

Because of specialization and increased farm size, large numbers of farmers are not in the market for a ton of fertilizer, a truckload of feed or a specialized marketing service. They will likely already have signed a contract which covers both the purchase of needed supplies and the marketing of finished products.

Almost all U.S. canning crops are now produced under such a contract. These contracts cover 90 percent of all broiler production. Experts see egg production and turkeys going in the same direction. How long it will be before other



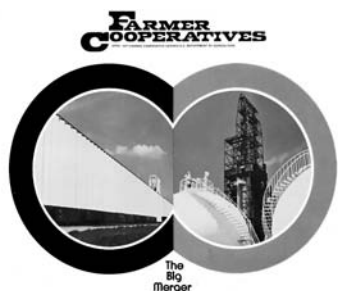
types of farming adopt such a program is hard to guess. Cooperatives are the natural medium for this kind of integrated service, if they are willing to develop the integrated package which includes both supply and marketing.

## 30 Years Ago...

*From the March & April 1977 issues of Farmer Cooperatives*

### Lehigh, Eskimo Pie Join Forces

Lehigh Valley Cooperative Farmers, Allentown, Pa., and Eskimo Pie Corporation have finalized an agreement putting the dairy cooperative into large-volume production of ice cream specialties and novelty products. The deal could result in up to \$10 million in sales annually, according to Lehigh president Robert P. Barry. Under the terms of the agreement, Lehigh's Allentown plant will become a production center for the popular frozen items for distribution under the Eskimo Pie label.



Lehigh recently launched a \$1 million plant- and equipment-improvement program aimed at maintaining the momentum of its recently achieved profitability, according to Barry. Barry said the investment is being made to achieve operating cost efficiencies and increase productivity in an effort to sustain the turnaround of the dairy, which only 2 years ago was apparently on the brink of financial ruin.

### Three states recognized for Co-op Month activities

Wisconsin received the State Activities Award for the best Cooperative Month observance and Colorado and Virginia earned Awards of Merit from the National Planning Committee for Cooperative Month. For the third consecutive year, Wisconsin received top honors for its "comprehensive and innovative activities" during Co-op Month.



New ideas initiated in Wisconsin during the 1976 observance included sponsoring three conferences titled: "Food — How Will It Be Shared?" These involved teachers, clergy, students and cooperative leaders; a special award for county

cooperative associations conducting activities during October; and the presentation of "Cooperative Builder Awards" to outstanding members, employees and friends of cooperatives.

Wisconsin also distributed hundreds of co-op publications to libraries and educators. A special "Governor's Day on the Farm" brought 200 urban and rural dwellers together, and more than 400 cooperatives in the state sponsored newspaper

ads. Special meetings and rallies were held, and more than 8,000 bumper stickers proclaiming: "Cooperative People Are More Fun" were distributed.

Colorado won its award for a slide presentation made after a survey revealed the economic impact of cooperatives operating in the state. Virginia's award recognized its production and distribution of a series of TV and radio tapes that included interviews with two young people, a young farm couple, a woman, and a cooperative member.

## 10 Years Ago...

*From the March & April 1997 issues of Rural Cooperatives*

### Dakota Soybean Processing Plant Opens

Nearly 2,100 soybean producers have combined resources to create South Dakota's first producer-owned soybean processing plant. The \$32.5 million facility, near Volga, allows area producers to process their own soybeans, ending their reliance on outside suppliers.

Four years ago, the group decided eastern South Dakota producers needed a local plant as an economical alternative to shipping them out of the state to be processed into meal and then reshipped back for use in manufacturing livestock feed. State producers — who feed their livestock about 400,000 tons of bean meal each year — were paying \$10 to \$15 a ton for the return shipment.



Compounding the problem, they were receiving 75 cents below the basis price listed at the Chicago Board of Trade. "That's a considerable loss when you consider that we'll produce 95 million bushels of soybeans in South Dakota this year," said board president Paul Casper. Casper and his group spent two years conducting producer meetings across South Dakota and

Minnesota, attended by 7,000 farmers.

Some 2,100 South Dakota and Minnesota producers invested \$21 million to build the plant. Construction began in August 1995 and last fall the first load of soybeans was processed. An estimated 55,000 trucks will annually enter the plant. In the first year, the plant is expected to process 15 million bushels of soybeans.

At capacity, the Volga plant will process 50,000 bushels a day into 1,250 tons of crude meal. It will also process 265 tons of unrefined soy oil for shipment to 2 refineries in Mankato, Minn., for further processing into edible oil. ■

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