



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

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

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

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

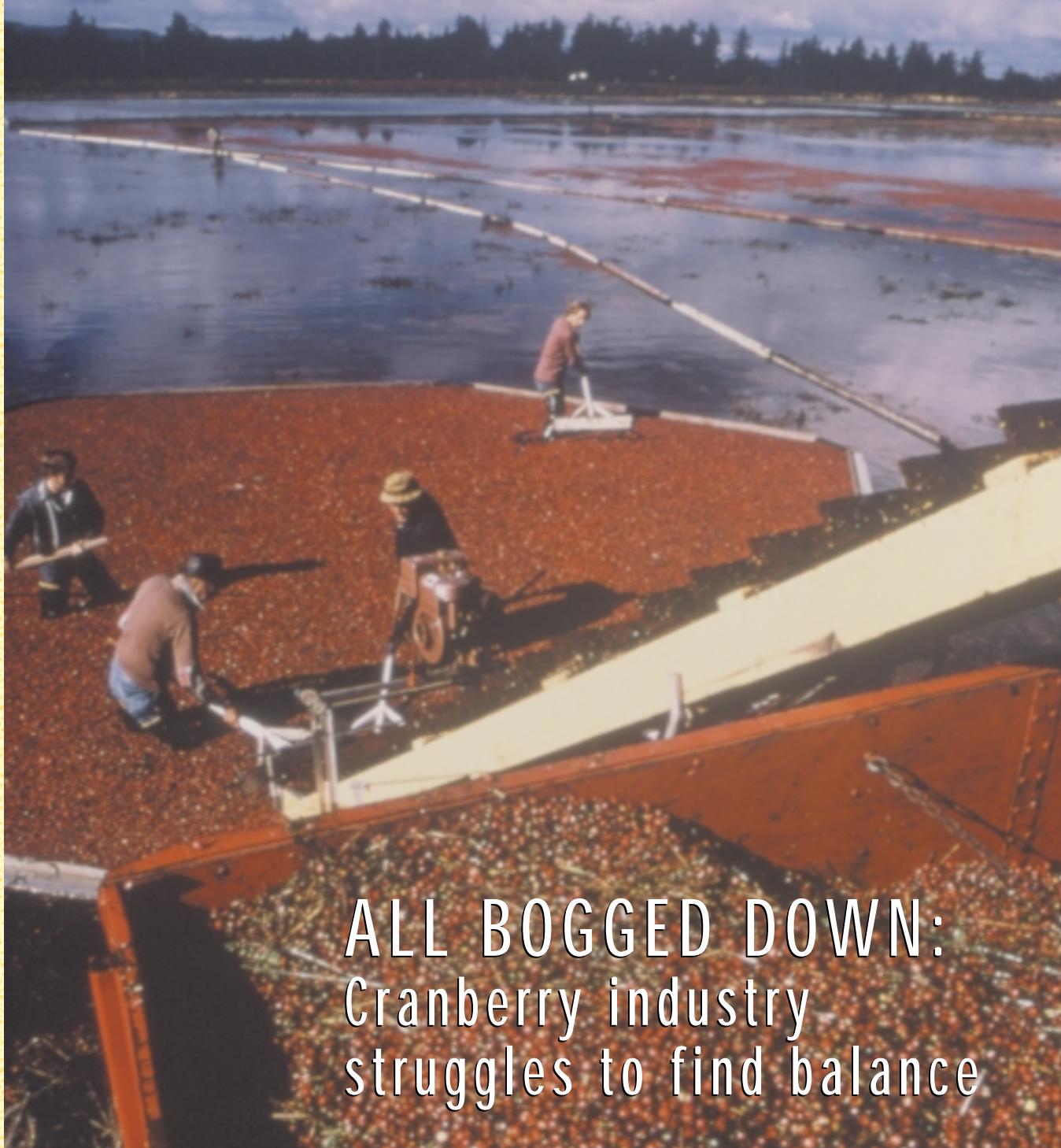
No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Rural

COOPERATIVES

USDA / Rural Development

May/June 2001



ALL BOGGED DOWN:
Cranberry industry
struggles to find balance

New USDA program supports growth of value-added ventures

There is always great interest around the country when a new federal, state or local grant program is announced. The Agricultural Risk Protection Act of 2000, signed into law in June 2000, includes a section that provides \$20 million in federal grants during 2001 for market development of value-added agricultural products. The program was announced in the *Federal Register* on March 6.

Rural Development's Rural Business-Cooperative Service (RBS) was given responsibility for administering the program. By the April 25 deadline for the first round of \$10 million in grants, the agency had received 211 applications requesting a total of more than \$56 million. This is an indication of the soaring interest among producer groups in value-added businesses.

Grants of up to \$500,000 can be used for defraying costs of feasibility studies for value-added projects, for developing business plans and for initial working capital. They cannot be used for "bricks and mortar," nor for engineering studies. A dollar-for-dollar match is required. Applications are reviewed and scored competitively. Applications for the second round of \$10 million in grants are due on June 27 (for more information, e-mail: thomas.stafford@usda.gov).

Lessons learned from previous experience gained by USDA/RBS co-op technical assistance staff suggest that producer groups should judiciously use grant money. Over-reliance on grants has been fatal for a number of new cooperatives. They are not a be-all and end-all to the cooperative development process. In the past, some producer groups have fallen into the trap of



Randall Torgerson sorts through some of the 211 applications for valued-added market development grants received by USDA Rural Development. USDA PHOTO BY KEN HAMMOND

believing that grants are a substitute for producers putting their own capital at risk. They have sought grant after grant, and when the source of grant funds dried up, the cooperatives collapsed.

View a grant as an early boost, not a crutch.

USDA's Agricultural Outlook Forum 2001, held in February, featured a session on new value-added cooperative development in the livestock and poultry industries. An article highlighting presentations at that session is found on page 14 of this issue. Steve Hunt, CEO of U.S. Premium Beef, discusses the achievements of this new cooperative and credits much of its success to members' willingness to step up to the plate with up-front equity investments in their cooperative. In Hunt's words, "true commitment to a cooperative only comes about through ownership." Had members not made a major financial investment in U.S. Premium Beef, he said the co-op probably would have collapsed during the rough first year of operation. These are words that should be heeded carefully by anyone starting a cooperative.

Other presentations were made at the Outlook Conference by Minnesota pork producer Jim Lewis, representing Pork America, Wyoming sheep grower Pat O'Toole, and Iowa Turkey Growers Cooperative CEO Ken Rutledge. Their comments yielded valuable insights regarding how to launch a new cooperative. Similar investments are being made in the aquaculture, crop and forestry sectors.

Why are these well-planned efforts meeting with success? Lee Egerstrom, Knight-Ridder business/farm reporter and contributor to the book "A Cooperative Approach to Local Economic Development," says value-added, new-generation cooperatives will spread because farmers can invest in them at a fraction of the cost of spreading horizontally by buying out neighbors' farms. Furthermore, this expansion vertically in the market buys farmers a measure of risk-management protection. Investing horizontally in more land does not reduce a producer's risk exposure.

These reasons, along with the fact that farmers retain their independence and have more control over their economic destiny through cooperative ownership, suggest that these new value-added efforts are assured of a future that will continue to merit the support of the public and Congress.

Randall Torgerson, Deputy Administrator
USDA Rural Business-Cooperative Service

Rural COOPERATIVES

May/June 2001

Volume 68 Number 3

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 ZDocuments, Government Printing Office, Washington, DC, 20402, at \$3.50 domestic, \$4.38 foreign; or by annual subscription at \$15.00 domestic, \$18.75 foreign. Postmaster: send address change to: Rural Cooperatives, USDA/RBS, Stop 3255, Wash., DC 20250-3255.

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

Unless otherwise stated, contents of this publication are not copyrighted and may be reprinted freely. For noncopyrighted articles, mention of source will be appreciated but is not required.

The United States Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs). Persons with disabilities who require alternative means for communication of program information (braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, D.C. 20250-9410, or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

Ann Veneman, Secretary of Agriculture

Randall Torgerson, Deputy Administrator, USDA
Rural Business-Cooperative Service

Dan Campbell, Managing Editor

Vision 2000/KOTA, Design

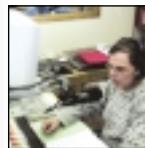
Have a cooperative-related question?
Call (202) 720-6483, or
Fax (202) 720-4641, Information Director,

This publication was printed with vegetable oil-based ink.



United States Department of Agriculture

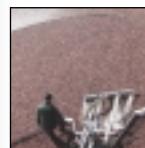
FEATURES



4 *All ag, all the time*

Farmer-owned radio station has served rural Nebraska for 50 years

By Paul Hammel



6 *All bogged down*

Record cranberry crops, soft markets force industry to eye marketing order

By Pamela J. Karg



11 *Local co-ops embrace high-tech agronomy systems*

By E. Eldon Eversull



14 *Hang on to the ranch*

Young livestock and poultry co-ops share goal to strengthen producers' role in marketplace.

By Dan Campbell



23 *Local cooperatives' role in identity-preserved grain industry*

By Julie A. Hogeland

DEPARTMENTS

2 COMMENTARY

21 MANAGEMENT TIP

25 NEWSLINE

On the Cover:

The surging size of the U.S. cranberry crop has caused prices to plummet. Growers hope new product development and a new marketing order will bring the industry back into balance. Here the crop is harvested in Washington. See article on page 6. USDA photo



All ag, all the time

Farmer-owned radio station has served rural Nebraska for 50 years

By Paul Hammel,
World-Herald Staff Writer
Copyright Omaha World Herald;
reprinted by permission

Lexington, Neb.—Folks said it would be a cold day when a bunch of farmers started a radio station.

They were right: It was about 20 degrees below zero on the frigid February day in 1951 when the “Rural Voice of Nebraska”—KRVN—crackled to life.

“People didn’t think we’d last a year,” said Max Brown, the station’s first general manager.

Now, 50 years later, that unique farmer/rancher ownership has built a station with an unmatched focus on the business of agriculture and one that has avoided the topsy-turvy trends and whims of commercial radio.

Just as it has from the beginning, KRVN broadcasts an almost constant barrage of weather forecasts, farm commodity reports and livestock auction updates, as well as regular commentary from 16 different agricultural groups. Its three farm reporters file live reports from ag conventions from Orlando to Arizona and Lincoln to Lexington.

While other radio stations change ownership, swap talk-show hosts and tinker with their musical format with every new listener survey, KRVN has stood as a solid rock at 880 on the AM dial.

Only when time permits does a country-music song sneak on air. Rush Limbaugh will never bring his act to

KRVN—it would take away time for constant news about pork bellies and corn futures, black baldie calves and farm legislation.

“It’s all ag, all the time,” said Program Manager Craig Larson. “We joke that some stations have a ‘song of the day.’ Well, we really have a song of the day.”

Built with donations of as little as \$10—each solicited over kitchen tables across Nebraska—KRVN stands as the nation’s only farmer- and rancher-owned radio station.

With its sister stations, KNEB in Scottsbluff and KTIC in West Point, KRVN is the only Nebraska station with a statewide reach during daytime hours. At night, KRVN’s signal is pointed west. The signal regularly reaches former Nebraskans eating breakfast in California and Arizona.

KRVN listeners can recite the date and circumstances when their initials were called on the station’s longtime “Monogram Money” contest. A wheel with letters on it is spun to select three letters. If a listener’s initials match up with the letters, they have two minutes to call the station and claim the prize money, which starts at \$8.80.

Stories about furious sprints from tractor to telephone to call in to the contest are not uncommon.

The strong signal, a fanatical dedication to farm news and a veteran staff (the station has had only two general managers in its history and has three announcers with more than 20 years of service), have helped make the station a Nebraska institution.

“I always felt as a candidate that if I could land an interview on KRVN that

was worth a lot,” said Gov. Mike Johanns during a special broadcast on Feb. 1 to celebrate the station’s 50th anniversary.

KRVN has been able to stick to its mission of serving farmers and ranchers because of its unique ownership and mission, said Eric Brown, the station’s general manager since 1979 and Max Brown’s son.

“We’re not like other commercial stations. I don’t have to have a 30 percent return on investment in this quarter,” Eric Brown said. “We say that people get their dividends when they turn on the radio.”

The station was born of necessity. Farmers and ranchers felt they weren’t getting enough news about the livestock and grain prices to make smart decisions on where to sell.

There were no statewide weather forecasts 50 years ago, leaving folks vulnerable to bad weather.

By 1947, Nebraska agricultural groups had enlisted Max Brown, a former ag professor, to check out a project by the Ohio Farm Bureau to launch a radio station.

It led to a campaign in Nebraska that enlisted donations from 4,755 farmers and ranchers from every county in the state. Each “member” gets one vote in the Nebraska Rural Radio Association, which is run like a farm cooperative, with a board of directors and an annual business meeting.

Lexington became KRVN’s home because of its central location. Station profits are plowed back into radio operations or donated to agricultural research or education. Only farmers



KRVN remains the nation's only farmer- and rancher-owned radio station. Here afternoon announcer Don Colvin hits the airwaves with the latest farm and ranch news. Mike LePorte (background) is the station's farm service director and one of three reporters whose total focus is agriculture reporting. PHOTO BY JEFF BUNDY, COPYRIGHT OMAHA WORLD HERALD

and ranchers can become members.

"Our bosses are the guys out there who listen," said Mike LePorte, the station's farm service director and one of three reporters whose total focus is agriculture reporting.

"Our reason for existence is to serve farmers and ranchers," LePorte said. "That's why we take it so seriously."

KRVN pioneered the first statewide weather forecasts, paying for daily telegrams from Scottsbluff, Lincoln and Omaha to put them together. It also arranged for daily reports from the

major farm markets of the day, which included the Omaha Stockyards and the Omaha Grain Exchange.

The station almost went broke in its early days, Max Brown said.

It lost several thousand dollars after buying Omaha's KOIL in 1952. The station was quickly sold after farmers, due to a drop in prices, had to renege on pledges to finance the purchase.

The struggle to expand KRVN's reach statewide led to a costly \$500,000, 10-year campaign, which culminated in 1972, to change the sta-

tion's dial position from its original 1010 to 880. Only one other station in the nation is at 880 on the dial, WCBS in New York City.

KRVN's daytime signal stretches from Omaha to the Panhandle and from the Sand Hills to almost the Kansas-Oklahoma border.

Although Brown had no radio experience, his staff did. The station's up-to-date market and weather information pulled in listeners, whose bottom line could be improved by thousands of dollars by timing the market or by choosing the higher-paying grain elevator or livestock auction.

Today, KRVN provides weekly reports from 16 farm organizations as well as several rural state senators. Market and auction reports are broadcast every few minutes throughout the day.

On a recent weekday, the station was abuzz with activity. It's prime time for annual meetings of farm organizations; advertisements for herbicides, seed corn and bull sales flood the airwaves; and the Nebraska Legislature's session is in full swing. All that means plenty of programming and little room for music.

Plus, a snowstorm had caught central Nebraska by surprise, dumping up to a foot of snow in some areas when only an inch had been forecast.

"Let's play that disclaimer again: KRVN is not responsible for more than an inch of snow," joked afternoon announcer Don Colvin.

While the radio industry has seen a storm of mergers and programming changes, KRVN's future seems secure.

Because of its unique ownership, it isn't likely to be purchased by a larger chain. Despite a declining number of farmers and ranchers, the station still has the highest pull of any farm station in the country—more than 50 percent of ag listeners in its area. The need for up-to-date information on farm markets and weather is as strong as ever.

"If you're serious about agriculture," said program director Larson, "you need to listen to us, or else you're going to miss something." ■

All bogged down

Record cranberry crops, soft markets force industry to eye marketing order

By Pamela J. Karg
Field Editor

Where Ocean Spray Cranberries goes, so goes the entire industry. These days Ocean Spray and the cranberry industry are both in a severe slump. A glut of fruit has depressed prices to levels that have many growers hovering on the brink of bankruptcy.

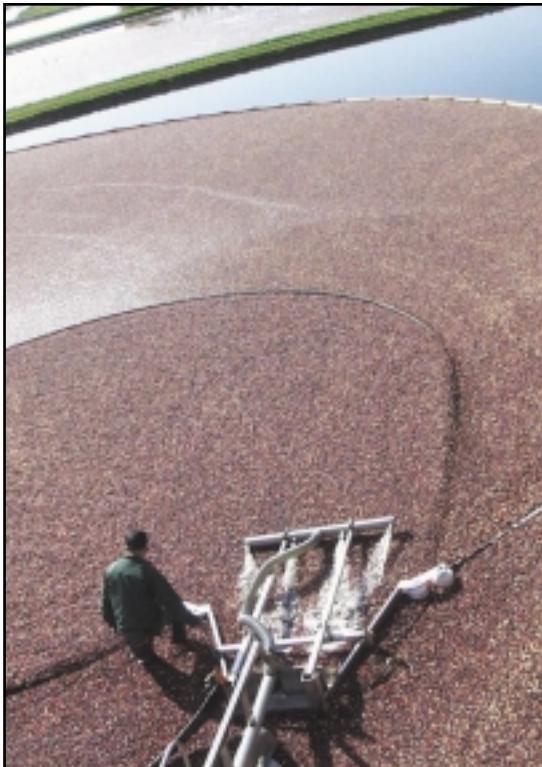
In only a few years, the price of a barrel of cranberries has plunged from a high of \$80 to lows of near \$11. A grower needs to make about \$35 a barrel just to break even.

Ocean Spray has for many years been a poster child of success for farmers who want to add value to their crop by processing and marketing it themselves. Indeed, many credit Ocean Spray for making the industry. But the market has become so precarious that earlier this year some growers—for the second time in two years—forced a referendum that could have made the cooperative sell its assets to a giant beverage company. That effort failed, and now the cooperative is helping lead the fight to stabilize the market and enable growers to survive the downturn.

Co-op boosts entire industry

“Ocean Spray has really done a lot to benefit the entire cranberry industry,” notes Nodji VanWychen. She and her family are independent growers near Warrens, Wis., the gateway to the state’s cranberry country.

A three-generation farm operation, the VanWychens grow, harvest, pack and market their own line of cranberries under two labels they own. As independent growers, they also market fruit for the private label business. That’s in direct competition with Ocean Spray, the nation’s largest cranberry marketing organization headquartered in Lakeville-Middleboro, Mass. Yet VanWychen freely admits that the cooperative’s



success directly impacts member-growers and independents alike.

Like many other agricultural commodities, the cranberry industry is bogged down with over-production because of increased acreage and good weather. Research and development of new products also slowed in recent years as the financial strains started up. In response to the turmoil plaguing the industry, Ocean Spray has changed its top managers and has promised to roll out nearly 50 new products in the next two years. It’s going to take time, says Chris Phillips, Ocean Spray communications director. Meanwhile, financial woes abound.

Ocean Spray reported last fall that its sales rose slightly, from \$1.36 billion to \$1.4 billion. But net income declined 45 percent, to \$73.5 million, a chasm away from the \$280 million earned in fiscal 1998. It was the second year in a row the co-op reported weak financial results.

Ocean Spray’s disappointing numbers came as no surprise. Phillips said the co-op had been predicting serious problems for several years. Wisconsin co-op member William G. Hatch concurs. “However, the problem was that they had been ‘crying wolf’ for so many years that no one believed them,” Hatch says. “I just think everything was so good for so long, now we have enough blame to go around the entire industry.”

So who is to blame for the challenges facing growers and co-op alike in an industry that has been around since America itself? It depends on who is speaking.

Phillips says the industry has expanded faster than consumption has risen. Some of that expansion was by the cooperative. Independent growers also expanded. In Wisconsin, for example, in 1989 there were 150 farmers with 10,000 acres of cranberries. Today, 260 growers farm 18,000 acres of cranberries.

Under a new Ocean Spray management team, surveys showed that consumers associated the co-op brand with



Left: Cranberries are harvested in Wisconsin, which leads the nation in cranberry production.

PHOTO COURTESY UNIVERSITY OF WISCONSIN. Above: Cranberry prices have plunged from a high of

\$80 per barrel to lows near \$11. Growers typically need \$35 per barrel just to break even.

USDA PHOTO

high-quality products, but also higher prices. At the same time, supermarket consolidations and shifts in the food industry meant processors were contracting production, packaging a range of foods under private labels. Those labels were cheaper and still had perceived value with consumers.

And when grower prices were starting to head south about two years ago, the Ocean Spray board voted to pay members a little more money. That left the co-op with less to invest in research and development and for new product introductions.

Support grows for market order

Jeff Kapell is an Ocean Spray member who has grown cranberries near Plymouth, Mass., since the 1970s. He says this is the worst economic crunch the industry has ever faced during all his years in the business.

"I was not able to cover my cost of production last year," says Kapell. "Folks who have capital reserves and aren't heavily mortgaged will probably be able to come out of this OK. But growers who don't have much in reserve and are carrying a big mortgage will be hard pressed to survive."

Does he think the cooperative is taking the right road to turn the situation around?

"Only hindsight will tell for sure. But if it does turn around, Ocean Spray should be in a good position to continue to be of major value to its growers in the future."

Regarding the cranberry industry's rapid plunge from boom to bust, Kapell says "there were subtle indications earlier of looming problems on the horizon. This is a relatively small industry and it is very sensitive to even small shifts in supply and demand. Right now we are looking at more than a small shift—we have a significant surplus to deal with."

He feels an industry-backed marketing order is the best way to manage the surplus.

Hatch walks the line between independent grower and Ocean Spray member. He and his father, William, have 360 acres of cranberries, which makes them large growers. When the co-op was looking to expand acreage, the Hatchses had some acres they placed into co-op membership. And they also have some acres which remained out of co-op membership, the fruit from which is contracted to an independent handler. The younger

Hatch also serves as president of the Wisconsin State Cranberry Growers Association (WSCGA).

"If you read the Stressline (an on-line cranberry news website) you hear from lots of growers, anonymously, about what's happening," Hatch says. "And some of our own surveys with just our (WSCGA) members show that growers are divided [over how to deal with the glutted market]. The only thing we know for sure right now is that growers have agreed they want a marketing order in place this year."

That's a big step. A little more than a year ago, growers

could not agree on that vital issue. A WGCGA survey showed that more than 90 percent of its membership supported a marketing order to help the industry achieve greater balance. The crux of the dispute is whether the industry should be producing about 4.7 million or 4 million barrels each year, says Hatch.

Tom Lochner, WSCGA executive director, agrees that this is the key issue, adding that about three-fourths of the membership supported eliminating the surplus in one year. "The debate right now is what is the right number?" he says. "As a board, we agreed that our association is going to urge USDA to enact a regulation. But we don't have a consensus on what that regulation should be," adds Lochner.

How much is enough?

So the industry finds itself divided once again. The question centers

around how much to reduce production to ease the surplus.

At a meeting in early March in Wisconsin Rapids, Wis., the Cranberry Marketing Committee (CMC) agreed to cut the surplus by 32 percent this year. The CMC represents growers and handlers and makes recommendations to USDA, the only power that can mandate production cuts. The committee hoped Agriculture Secretary Ann Veneman would accept the plan by the end of March, in time to affect this year's crop. However, no decision had been announced by mid-April and growers such as Van Wychen and Hatch were getting nervous about how to manage their cranberry marsh beds.

"It's not like a corn or soybean grower who finds out he doesn't need to plant this year," says Hatch. "We already had plants in the ground, money tied up in taxes and even more

resources into maintaining growing those plants until they bear fruit."

A marketing order that would limit the 2001 crop to 4.7 million barrels, excluding fresh fruit, was recommended to USDA by CMC. Such a move would be expected to reduce the surplus to 2.5-3.5 million barrels, officials said.

Dick Ducklow and Gary Jensen, members of CMC, voted against this recommendation during the March meeting because it does not eliminate the surplus in one year or raise grower returns sufficiently.

Ed Jesse, ag economist from the University of Wisconsin-Madison, recommended a 4-million-barrel limit to CMC. He said it would reduce the 4.4-million-barrel surplus to 2 million barrels, which is considered a normal carryover. Eliminating the surplus in one year, some growers contend, would bring grower returns in line with the

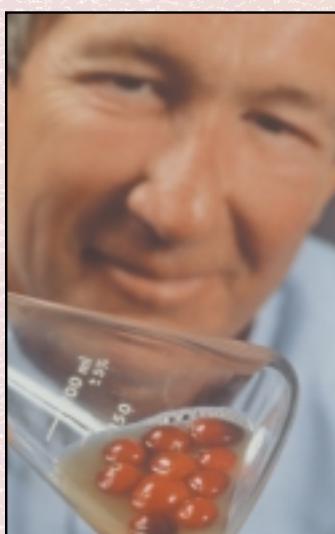
Ocean Spray opens China market for cranberry juice products

Cranberry fruit from North American growers will be used for beverages to be sold in China via an agreement between the Ocean Spray cooperative and Beijing Huiyuan Beverage Group, China's largest juice company. The goal is to introduce Ocean Spray juices in China later this year, starting with Beijing, Shanghai, Guangzhou and in other major markets within the next three years.

Ocean Spray, owned by 804 cranberry and 126 grapefruit growers, said it will grant a 10-year lease to Huiyuan to manufacture, market and distribute Ocean Spray products. Ocean Spray already has similar agree-

ments in place in the United Kingdom, Australia, New Zealand and several Latin American countries. Many of the member-growers have been suffering through the third straight year of depressed market prices that are below production cost. Pressure to sell the cooperative to private interests has been resisted by the board of directors (see cover story).

Rob Hawthorne, the cooperative's chief executive officer, said he expects the Chinese juice market to become the largest in the world in the next 20 years. It has the potential of using hundreds of thousands of barrels of cranberries. Opening the Chinese market is an example of Hawthorne's plans for other market initiatives aimed at increased demand and higher prices for the growers. But lack of demand for the current 5-million-barrel crop may force some growers to quit the business. However, the Chinese market provides a breath of fresh air at a time the cooperative and its grower-owners could use a new home for their cranberries. The cooperative's \$220 million international division has tripled in size in the past four years. ■



The Ocean Spray cooperative has led efforts to increase consumption of the fruit by developing a wide variety of cranberry beverages and other foods. USDA PHOTO

Cranberry production cycle revolves around water

Cranberry bogs use unique growing systems that include wetlands, uplands, ditches, flumes, ponds and other water bodies. An entire cranberry wetland system can provide diverse habitats to many rare animal and plant species.

In winter, bogs are covered with water that freezes and provides insulation from frost. As the snow melts and spring arrives, the bogs are drained and cranberry vines awaken. Soon after spring, light pink blossoms which resemble the head and neck of the sandhill crane begin to appear. As flowers bloom, honeybees and bumblebees work diligently to pollinate flowers, ensuring a good crop. In mid-July, petals fall from the flowers leaving tiny green nodes which after weeks of summer sun, become red, ripe cranberries.

Considered the life blood of cranberries, water is used throughout the year for irrigation and to protect vines from weather damage in winter and frost in spring and fall. As fall approaches, water becomes essential to the harvesting process.

During harvest, many growers flood their bogs causing cranberries, which have small air pockets in the center, to rise. Growers then use water-reel harvesting machines to loosen cranberries from their vine causing them to float on top of the water. These machines look like miniature combines with cylindrical spool-shaped metal beaters attached to the front. After floating to the top, berries are corralled onto conveyors to waiting trucks which take them to receiving stations and eventually processing plants, where they are used for juice, sauce, and other processed foods.

Delivered to fresh fruit receiving stations, cranberries are graded and screened based on their color and ability to bounce (soft berries will not bounce).

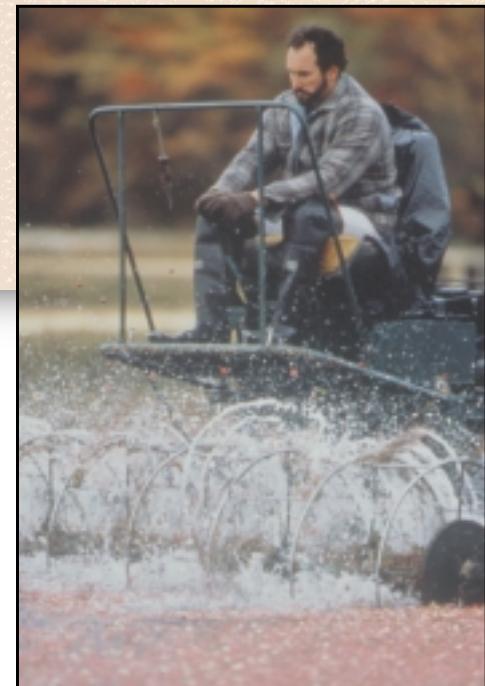
In Massachusetts, 500 growers produce 38 percent of the nation's cranberry supply, making the fruit that state's number one food crop. As urban sprawl overtakes Mass-

achusetts' rural areas, growers have sold off some of their acreage so that Wisconsin is now number one in cranberry production.

Commercial cranberry production in the Badger State began in about 1860. Simply digging ditches around stands of native vines and encouraging their growth helped early marsh development. Cranberries are also Wisconsin's leading fruit crop both in terms of acreage and value. In 1996, cranberries were produced on about 13,600 acres in 19 of Wisconsin's 72 counties. The farmgate value was about \$75 million. That has plummeted this year in all cranberry regions.

USDA's National Agricultural Statistical Service estimated in its August 2000 cranberry report that the total cranberry harvest would be 5.84 million barrels, down 8 percent from 1999 but 7 percent above 1998 levels. Of the five major cranberry-producing states, Washington (153,000 barrels) and Oregon (410,000 barrels) expected increases while New Jersey (550,000), Massachusetts (1.8 million barrels) and Wisconsin (2.9 million barrels) predicted decreases.

The 2000 harvest followed on the heels of record-high production in 1999 which totaled 6.37 million barrels. The 1999 area harvested was a record high 37,300 acres. The average yield of 170.9 barrels per acre was 22.2 barrels above 1998. The average price per barrel for 1999 was \$17, a decrease of \$21.80 per barrel from the 1998 crop year. The steep reduction in the price per barrel drove the value of production down to \$109 million, a 49 percent drop from 1998, NASS reported. ■



Growers use water-reel harvesters to loosen cranberries from the vine, causing them to float on top of the water. USDA photo

\$35 per barrel cost of production.

Currently, the price is hovering at \$10-\$15 per barrel. The 4-million-barrel plan would get the grower price up to cover production costs sooner, proponents say. They want to eliminate all the pain in one year, eliminating nearly all the projected 2.3-million-barrel surplus so good times can roll again. They also worry there won't be enough demand for the 5 million barrels that still would be produced.

But handlers supported carrying over a larger surplus. Ocean Spray, for example, recommended a market order that sets the crop at 4.8 million barrels. "Any more and it cuts into new product development and new market expansion," says Phillips. "We need enough fruit to grow demand. We can control supply in the short term, but we still need enough fruit to meet new product development and market expansion."

Either cutback would be considerably more than last year's 15 percent with-

holding, and those who forged the agreement say it shows the industry can work together. But some growers still lobby for deeper cuts that would make a bigger dent in the surplus.

Grower/handler split

Some growers say the handlers, who buy and sell berries, care more about keeping prices down than about protecting growers, some of whom are certain to fold if prices don't increase. That criticism also goes against Ocean Spray, which controls about 70 percent of the U.S. cranberry market. Like everyone else in the cranberry industry, Phillips says there's enough blame to go around. Low prices also hurt the co-op because it does not have the financial resources to market the fruit, he adds.

"They all want cheap fruit. And what happens with cheap fruit? That means the growers are going to be sacrificed," counters Hal Brown, who runs the grower "cranberrystressline" website.

Hatch admits poor prices have impacted his operation. Farming near Necedah, in the central sands region of Wisconsin, Hatch has released 50 percent of his workforce. All growers are spending less in town, and "people are just trying to survive; we're just trying to lose as little money as possible and cutting back wherever we can," he says.

"A lot of growers will probably go out of business if this marketing order is implemented the way they've written it," Doanne Andreisson, a grower from Duxbury, Mass., recently told the *Boston Globe*.

The loyalties are complicated, however. Ocean Spray, which has four seats on the eight-seat CMC, is the largest handler, but also represents 70 percent of the growers and is obligated to defend their interests. Phillips says the 4-million-barrel-agreement is a good deal in the long term for growers. "It was an important decision, not a popular decision with everyone, to be sure," he says.

Ocean Spray needs the fruit because its revamped marketing plan should increase demand, it claims. The co-op

The history of crane-berries

Native Americans in the Great Lakes regions first called the fruit crane-berries because sandhill and other cranes feasted on this native species. In New England, Native Americans referred to them as sassamanash and made cakes prepared with lean, dried strips of meat pounded into paste and mixed with animal fat, grains and cranberries. Later used to make dyes and poultices by the Pilgrims, cranberries soon became a vital source of vitamin C for whalers and a valuable resource to New England residents.

Cranberries actually grow wild from the Carolinas to the Canadian Maritime Provinces. However, they prefer sandy soil, an abundant fresh water supply and a growing season that lasts from April to November. That makes places such as southeastern Massachusetts, central and northern Wisconsin and pockets of Oregon some of the more abundant growing areas.

The Cape Cod Cranberry Growers' Association is one of the oldest farmer organizations in the country and probably the oldest cranberry association. It was established in 1888 to standardize the measure—100-pound barrels—used to sell berries. ■

plans to roll out as many as 21 new products this year and 32 next year. "You've got to have new product introductions to keep consumers interested," Phillips says.

Meanwhile, in the cooperative's last annual report, Ocean Spray's new CEO H. Robert Hawthorne and Chairman Sherwood J. Johnson express hope that better days are ahead. "We do expect proceeds to turn upward this fiscal year," they wrote.

Phillips adds that initiatives the co-op put in place this past year will stimulate demand and reduce the surplus. Besides introducing new products, the co-op plans to re-vamp its familiar blue-tidal-wave label, will implement \$76 million worth of cost-cutting measures and will narrow the price-gap between Ocean Spray and store-brand cranberry juices. Ocean Spray also has created a new distribution network for its single-serve products, and it vows to improve marketing efforts as it brings its new products to market these next two years.

Co-op's sale still supported by some

Nevertheless, some growers still think Ocean Spray should be aggressively exploring opportunities to sell

itself to a giant beverage conglomerate. For the past two years, some growers have tried to force the issue onto the co-op's annual meeting agenda.

For all intents and purposes, Ocean Spray shares have a fixed value of \$25. But if Ocean Spray were sold, those shares could be worth far more, some growers contend, citing studies by Ocean Spray's own consultants.

In 1999, Ocean Spray's board weighed a number of strategic options, including a sale. In the end, a decision was made to remain a cooperative, to hire a new CEO and to focus on reorganizing operations. Efforts at both the 1999 and 2000 annual meetings by members who wanted to sell were not successful.

The Ocean Spray sale appeared as though it could provide growers with enough money to hang on until barrel prices rebound. But when it was turned down in 1999, a group of growers filed a lawsuit to force Ocean Spray to reconsider a sale. The matter was finally put to rest when it was defeated at the co-op's 2000 annual meeting in San Diego in December.

"We believe the turnaround strategy we've set in motion is the right strategy for recovery," Hawthorne and Johnson conclude in the annual report. ■

Local co-ops embrace high-tech agronomy systems

E. Eldon Eversull
Agricultural Economist
USDA Rural Business-Cooperative Service

Local cooperatives are rapidly adapting to the technological revolution in agronomy practices. How fast? In just three years, local cooperatives more than doubled their adoption of high-tech agronomy systems, according to a USDA study.

In 1996, only about 24 percent of the local cooperatives reported having fertilizer application equipment that used global positioning system (GPS) and global information system (GIS) technology. Three years later, that percentage more than doubled—to 57 percent—among the same respondents. Sixty-eight percent of local co-ops are now able to prepare field maps with the aid of GPS and almost half can combine the maps with crop protectant application for record-keeping purposes. And an additional 16 percent want to add GPS services.

This information is from a recent survey of local co-ops conducted by USDA's Rural Business-Cooperative Service. Cooperatives were asked about their crop protectant sales, supply sources, competitors, type of competition and what services they offer. Almost 400 local farm supply and marketing cooperatives responded. These co-ops have combined crop protectant sales of \$830 million, or 40 percent of local agricultural cooperatives' crop protectant sales. The results of this survey are discussed in



Farmers can use the global positioning system (note the GPS marker behind them) for their pest control programs. Local co-ops have doubled their use of this high-tech equipment in just the past three years. PHOTO COURTESY GROWMARK

a pending study, *Crop Protectant Operations of Local Farm Supply and Marketing Cooperatives*.¹

The crop protection industry has undergone many changes during the past two decades. Increased input costs, environmental concerns and low crop prices in the 1980s placed more emphasis on sustainable agriculture,

using less fertilizers and crop protectants. Interest in technology increased during the 1990s. Technology permitted crop protectants to be applied in precise amounts and locations.

GPS technology pinpoints within several yards the location of crop protectant application equipment in a farmer's field. GIS maps can then be made that com-

bine the location within the field with soil samples, scouting reports on pest and weed damage and yield monitor results.

More recently, genetically modified organisms (GMOs) have gained attention. Some GMOs allow the farmer to use less crop protectants by planting insect-resistant varieties, such as Bt corn and Bt cotton. Other GMOs are resistant to popular broad-spectrum herbicides so they need less crop protectant treatments and because of the reduction in weed pressure on the crop, promote no- or minimum-till practices.

Scientists, as well as farmers, have broadly embraced the benefits of GMOs and supported their use. Some suggest GMOs may provide the opportunity for farmers to produce enough food to overcome world hunger. Some consumers and/or consumer groups will continue to object to GMOs until they can be shown to be safe and directly benefit consumers, such as GMO crops that help fight disease.

Even with this new technology that uses field maps, scouting reports and ari-

al photos, farmers still have many decision and interpretation problems. Farmer-owned cooperatives, recognizing the need for better information and analysis, have been on the forefront in providing crop/agronomy specialists to interpret the technology and help with recommendations on crop protectant application, field mapping and record keeping.

Cooperatives leading the way

The 185 surveyed cooperatives that provide GPS/GIS field maps are larger than the average survey respondent. Their crop protectant sales average \$3.1 million, compared with \$1.3 million for the 198 survey cooperatives that do not provide GPS/GIS maps. The GPS/GIS cooperatives purchase about 73 percent of their herbicides and insecticides from regional cooperatives, the most common sources (in this study) being CHS Cooperatives (Cenex Harvest States)/Land O'Lakes, Farmland and Growmark. These same regionals are most likely supplying both crop protectants and promoting agronomy technology to

many of these local cooperatives. The other 198 cooperatives have looser ties with regionals, purchasing only about 58 percent of their crop protectants from them.

Almost 100 percent of the GPS/GIS cooperatives employ crop/agronomy specialists to help farmers choose the correct crop protectant and scout fields for pests and weed damage (table 1). While all of the GPS/GIS cooperatives make field maps, half of the other cooperatives would like to do so in the future. Almost 80 percent of the GPS/GIS cooperatives have crop protection application equipment that can be guided by GPS units. Only 10 percent of the other cooperatives have GPS-guided application equipment, but 43 percent would like to. Keeping records of farmers' fields can be done by 69 percent of the GPS/GIS cooperatives while about 3 percent of the other cooperatives are capable of doing so. Again, about 43 percent of the other cooperatives would like to be able to do this.

Regional comparisons

There are large regional differences among cooperatives in their use of agronomy technology. Ten standard farm production regions² are used to analyze responses in a regional format. Because of the small number of respondents in four regions, the Northeast and Appalachian, and Southeast and Delta

A co-op agronomy specialist uses CPS equipment to take soil samples that will be used to develop grid maps.
COURTESY CHS-LAND O' LAKES



Table 1—Crop protectant services that GPS/GIS field-mapping cooperatives and all others offer, or would like to offer, weighted by sales

Services	Currently offer	Would like to offer	Services	Currently offer	Would like to offer
- - - Percent - - -					
Crop/agronomy specialists—recommendations & scouting			Application equipment with GPS units		
GPS/GIS cooperatives	98.85	0.47	GPS/GIS cooperatives	78.22	12.19
All other cooperatives	80.78	4.76	All other cooperatives	9.99	42.81
- - - Percent - - -					
Field mapping/recommendations using GPS/GIS			Record keeping with GPS/GIS		
GPS/GIS cooperatives	100.00	—	GPS/GIS cooperatives	69.02	16.99
All other cooperatives	—	49.77	All other cooperatives	3.26	42.53

— = Not available.

Table 2—Crop protectant services that cooperatives offer, or would like to offer, by regions, weighted by sales

Services	Currently offer	Would like to offer	Services	Currently offer	Would like to offer
- - - - Percent - - - -					- - - - Percent - - - -
Crop/agronomy specialists—recommendations & scouting					Application equipment with GPS units
Northeast and Appalachian	94.42	—	Northeast and Appalachian	61.56	18.41
Southeast and Delta States	100.00	—	Southeast and Delta States	76.20	—
Southern Plains	71.87	1.62	Southern Plains	53.53	14.72
Corn Belt	96.15	0.78	Corn Belt	68.98	13.59
Lake States	94.30	0.48	Lake States	47.49	28.19
Northern Plains	85.40	8.11	Northern Plains	38.46	33.25
Mountain	99.45	—	Mountain	43.25	51.96
Pacific	71.35	—	Pacific	—	47.13
Field mapping/recommendations using GPS/GIS					Record keeping with GPS/GIS
Northeast and Appalachian	73.83	6.75	Northeast and Appalachian	24.46	19.23
Southeast and Delta States	46.63	—	Southeast and Delta States	30.52	—
Southern Plains	—	36.91	Southern Plains	—	36.91
Corn Belt	84.94	6.38	Corn Belt	65.82	15.20
Lake States	65.85	18.38	Lake States	40.72	30.65
Northern Plains	48.11	26.06	Northern Plains	31.53	40.17
Mountain	40.68	54.53	Mountain	28.06	59.65
Pacific	17.52	64.86	Pacific	—	48.73

—= Not available.

States are combined into two regions. The Corn Belt, with 143, has the most respondents, followed by the Lake States and Northern Plains, both with 89. The Corn Belt also has some large respondents, resulting in crop protectant sales averaging almost \$3.2 million.

Cooperatives in most regions have a high incidence of offering crop/agronomy specialists for recommendations and field scouting (table 2). The use of GPS/GIS technology is centered in the Corn Belt, where the cooperatives are some of the largest respondents and corn and soybeans are the predominant crops. Almost 69 percent of the Corn Belt cooperatives have application equipment with GPS units; field mapping can be made with GPS/GIS technology by 85 percent of the cooperatives, and record keeping with this technology by 66 percent. The use of GPS/GIS technology falls as cooperative size decreases and when the predominant crops are not corn and soybeans.

Crop protectants are applied based on pests and weed pressure, soil tests, infrared, satellite and aerial photography, and field scouting. Additional analysis of GPS/GIS information is only as good as its interpretation. Many farmers rely on outside help to scout their fields for crop protection. In the Corn Belt and Lake States, where 85 percent and 66 percent of the respondents, respectively, provide field mapping, cooperatives also employ crop/agronomy specialists more than 94 percent of the time.

Strong sales growth

Local cooperatives studied generally have experienced strong growth in crop protectant sales, with an average annual increase of about 11 percent from 1991 through 1999. These cooperatives support the cooperative agricultural inputs system, purchasing more than 68 percent of their herbicides and insecticides, 48 percent of

their fungicides, and 50 percent of all other crop protectant products from regional cooperatives.

Their primary competitors for these sales to farmers are private suppliers, followed by other cooperatives. Crop protectant price is the strongest competitive tool, but advisory scouting and other services is also important.

Most cooperatives apply crop protectants for farmers. Crop/agronomy specialists are often employed by local cooperatives to assist the farmer in making crop protection decisions. Many cooperatives also provide a record service to track the farmers' use of crop protectants.

The use of GPS/GIS technology is being championed by local agricultural cooperatives. Field mapping is available to 68 percent of the crop protectant volume. The GPS/GIS technology is expensive, so larger cooperatives are more likely to offer it. Many of the respondents not offering

continued on page 30

Hang on to the ranch

Young livestock & poultry co-ops share goal to strengthen producers' role in marketplace

By Dan Campbell
Editor

Once they were "Marlboro Men" (cigarettes optional), riding free and easy in the saddle (or ATV) as they kept watch over their herds and flocks. They were self-reliant loners who stood up to whatever fate dished out. They bounced back up when they got knocked down and they learned to survive in conditions in which most of us would wilt under the strain.

But globalization of agriculture and concentration in the meat packing and food retailing industries has proven to be a bigger challenge than drought, disease or coyotes ever did. As their ranks thinned and their profits plummeted, many livestock and poultry producers have gradually come to the conclusion that—gulp—maybe that guy over on the next ranch or farm could be an ally rather than a competitor.

Thus, there has been a surge during the past five years of new, producer-owned livestock and poultry cooperatives. They are being formed by ranchers and farmers who see group action as the best way to retain ownership of their livestock and to process and market it themselves.

Representatives of the four major livestock sectors—beef, pork, poultry and lamb—gathered in Washington, D.C., recently for a mini-summit held as part of USDA's annual Agricultural Outlook Forum. They shared their experiences in helping launch a grassroots co-op revolution, the goal of which is to help livestock producers keep more of the dollars



Kelly Giles, a board member of U.S. Premium Beef, says the survival of his cow-calf stocker operation hinges on the ability of the co-op to add value to his cattle through processing and marketing. So far, the co-op has done just that by working with Farmland Industries to create value-added products such as Farmland's Ground & Browned packaged beef (at right). USDA PHOTO BY BOB NICHOLS. BEEF PRODUCT: PHOTO COURTESY FARMLAND INDUSTRIES

traditionally siphoned off by middlemen.

The new beef and poultry co-ops represented at the meeting are already considered to be successes, although their track records are still short. The new pork and lamb cooperatives hope to emulate the success of the beef and turkey co-ops.

"Cooperatives give producers marketing power so that they can compete with the corporate interests that are

attempting to dominate agriculture, as well as an opportunity to improve their product quality and consistency to meet the rising demands of consumers," said Randall Torgerson, deputy administrator for USDA's Rural Business-Cooperative Service and the session organizer and moderator. He was one of several speakers to use the "Marlboro man" as a symbol for the stockman of old—producers who now realize that they are "at the 11th hour" to make needed structural changes. Otherwise, most of them could wind up as little more than "piece-wage producers" working for huge food corporations, if they survive at all, he warned.

Selling meat & meals, not cattle

Kansas cattleman Steven Hunt said there was no secret about the motivation for forming U.S. Premium Beef: fear! In the mid-1990s, young producers such as himself could see the end of their ranching way of life fast approaching. "A lot of us who had invested a vast amount of capital into our livestock businesses realized that if we didn't make a drastic change, we would have to get out of the business."

The system was broken and had to be fixed, he said. The problem was similar to an industrial model in which General Motors sells Cadillacs and Chevrolets for the same price. "If that was true, how much longer do you think General Motors would make Cadillacs?" Hunt asked.

Yet that is the system in which the cattle industry has traditionally operated, he said. "We group our cattle in feedlots and sell them for one price. It's a system that rewards mediocrity. It's a marketing system that led us to a situation where our industry produces too many Chevrolets and not enough Cadillacs."

This realization helped lead to the formation of U.S. Premium Beef, a producer-owned marketing and processing cooperative that has been highly successful so far in implementing its strategy to "sell meat and meals, not cattle."

Membership in the co-op, of which Hunt is now CEO, has grown from 200 producers at inception in 1997 to 1,400 ranchers, backgrounders and feedlot operators in 38 states today. The co-op now holds a 29 percent interest in Farm-

land National Beef, the nation's fourth largest beef processor and marketer. Its program to pay premiums for high-quality carcasses has helped members earn significantly better payments than the industry average. The co-op's premiums-for-quality program has also stimulated some of the competition to implement a quality-grid payment system.

Hunt listed three principals that have been keys to the co-op's success:

- 1) Cattle are marketed in a system that pays based on the quality of the carcass, not just the weight;
- 2) Producers get detailed grading data from the co-op to help them improve the quality of their product;
- 3) Producer commitment—producers must not only commit to meeting the co-op's quality standards, but invest a significant amount of capital in the co-op. True commitment to a co-op "only comes about through ownership," Hunt said.

When it was being launched, many observers advised the fledgling co-op not to get involved in "brick and mortar" ownership. But the economic analysis performed for the feasibility study said the co-op needed an ownership stake in a processing facility.

The economic analysis also showed that cattle producers, on average, invest from \$2,000 to \$3,000 per animal unit (which includes the cost of livestock and all their other overhead expenses). But the overhead investment to process beef is only \$100 to \$200 per animal unit, Hunt said. "So when you look at the economics of vertical integration, is it more likely that a processor will go out and invest up to \$3,000 per animal unit (to produce cattle), or would a producer be more likely to invest \$100 to \$200 per animal unit (to process it into beef)? This was the point when we in U.S. Premium Beef said not only can we do this [launch a co-op], but we have to."

As a new-generation co-op, the amount of stock the members buy in the co-op establishes their delivery right (and obligation). Producers originally invested \$55 per head of cattle. For a producer who bought 1,000 shares in the co-op, the investment would have been \$55,000, giving him the right to deliver 1,000 head annually to the co-op.

By the time U.S. Premium Beef closed its membership drive in November 1997, it had raised \$38 million from members and secured an additional \$38 million in debt.

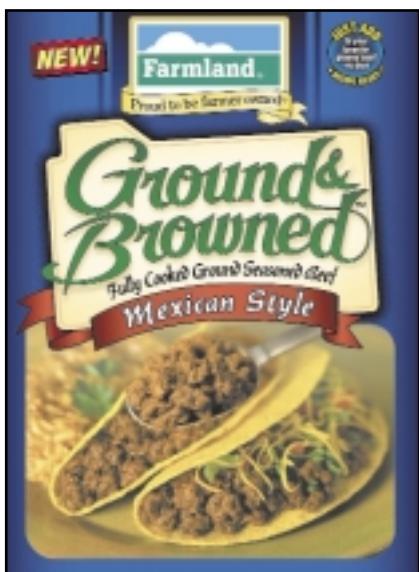
Know your limitations

Hunt said a key to success in a value-added venture is to know your limitations. "We were producers—pretty smart producers, we liked to think, and we had varied backgrounds [he, for example, had worked as an ag lender]. But we weren't experienced marketers or processors."

So the co-op leaders felt it was essential to partner with a successful beef processor and marketer.

In this search, they talked with the nation's six largest beef processors. "If you walk into a packer's office with nearly a million cattle to offer, you will get an audience," Hunt said. "But when you start to talk about ownership and governance structure, the crowd thins out pretty fast. But a couple of them stuck around, and we ended up with an agreement with another cooperative: Farmland Industries."

Farmland was not chosen because it is a cooperative, Hunt said, but because Farmland National Beef leads the



Up-front capital key to surviving a slow start

U.S. Premium Beef's premium payment program got off to a slow start. "We soon found out that not all of us produce the best animals," Steven Hunt said. In the first six weeks of operation, the co-op's producers earned less than the industry average. For all of 1998, members averaged just \$7 per head in premiums. "It was not a fun year," he said.

"No, they didn't trust the plant. No, they didn't trust our company. Fingers pointed everywhere, but nobody was looking in the mirror." The co-op supplied members the carcass grading data and other information they needed to improve their programs, and soon the premium payments began climbing.

Despite the rough start, few members quit. Hunt credits that in large part to the fact that co-op promoters "underpromised and overdelivered. I'm an old banker, and we realized the need to capitalize aggressively up front, assuming we would have a tough start. We told members not to expect a lot of money out of the company for the first three years, and not to be surprised if their cattle did not grade as well as they thought."

The co-op survived the painful start-up phase without

the need for additional capital from members, "although some forgot what we told them and we had to show them the (marketing) presentation again. If we had not required a big financial commitment up front, I would not be standing here today." When things got rough, members "would have walked away."

Three years later, members are smiling much more broadly today as they average nearly \$20 per head in premiums. The top 50 percent of the co-op's producers are earning over \$30 in premiums. The top 25 percent are earning \$40 over the market.

For any producers who would like to buy into the co-op with some of those \$55 shares, forget it. They last traded for \$90 a share, but none are currently for sale. The overall return on investment from the beginning is now over 200 percent.

Ken Rutledge said six of the initial 47 members of the Iowa Turkey Growers Cooperative dropped out during the rough first 18 months of the co-op's life. Most of them left when the co-op had to request additional equity investments to keep the operation afloat. "It was pretty tough times." ■

industry in number of value-added beef products. More than 30 percent of its revenue comes from value-added products, and more than 16 percent of its products are sold overseas, he noted.

"And as the fourth largest beef processor, we also felt it was about the right size—that we could buy a large enough piece of it that we could look our members in the eye and tell them they had some control in this company."

Convincing producers that they would have to give up a little independence at first in order to gain independence for the long-haul was the biggest hurdle U.S. Premium Beef had to clear, Hunt said. "Yes, it was difficult to bring more than \$70 million in capital together, and yes, it was hard to negotiate a deal with processors. But the single most difficult thing to do was to bring together independent cattle producers from all over the country."

Hunt advises others to focus on doing what it takes to create a successful business, with consideration of the co-op's impact on local economies being secondary. "What scares me is when economic development goals drive a project—where the motivation is to employ people and increase the tax base. That is not a bad thing, but the priority should be on putting together a project that will generate earnings for the owners. Then the rest [the jobs, increased tax base, etc.] will come."

He noted that an additional 1,000 employees have been hired since the co-op took partial ownership of the meat-

packing operation, boosting total employment to 4,500. But that was never a stated goal in the feasibility study.

U.S. Premium Beef closed the deal with Farmland on Dec. 1, 1997, and by the following week it had delivered the first 10,000 cattle to the processing plants in Dodge City and Liberal, Kan. In a little more than three years, U.S. Premium Beef has processed 1.8 million cattle, paid out premiums of \$24 million, has \$36 million in earnings and more \$1.5 billion in sales (that's just its share of the processing operation). Not surprisingly, it is looking to expand, possibly into a multi-species livestock co-op.

Quitting, cold turkey

If anything, Iowa Turkey Growers Cooperative was formed under even greater duress than U.S. Premium Beef. Ken Rutledge, the co-op's president and CEO, said the alarm sounded in May 1996 when Oscar Mayer (then a division of Kraft Foods, which was in turn a division of General Foods which was in turn a division of Phillip Morris) announced that



Processed turkey rolls through the Iowa Turkey Growers Cooperative's plant in West Liberty, Iowa. PHOTO COURTESY IOWA TURKEY GROWERS COOPERATIVE

it would be closing its turkey processing plant in West Liberty, Iowa. That could have spelled the end for the turkey producers who supplied the plant, as there were no other plants in the area that could handle their volume.

By the next month, 47 growers banded together to form a new cooperative under the motto "strive to survive." The task before them was daunting: they had to find another way to continue to produce turkeys, "or else convert their buildings to boat storage, which is not a very attractive option if you know much about central Iowa," Rutledge said. "They found they would have to mortgage all they owned in order to continue to produce turkeys, taking a risk few others would be willing to take."

But they were determined, and got help from USDA Rural Development, the state of Iowa and others to launch their co-op. In December 1997, Kraft's facilities in Iowa were transferred to the Iowa Turkey Growers Cooperative.

The co-op processed its first birds in January 1997, but the timing for

June of 1998. The normal break-even point for turkey breast meat is about \$1.60 a pound, but during this period, the market dropped as low as \$1.07.

The co-op's management team had been formed in November 1996, which Rutledge said "was much too late. A sales program was non-existent [at the outset]. The only commitment on hand was from Kraft to take a portion of the product."

But then, the worm turned.

"Sometimes it's good to be in the right spot at the right time—and we happened to be there" when supply and demand came back into balance, Rutledge said. Two of the co-op's major competitors either closed their plants or converted to chicken. And, after a year and a half of struggling to survive, the co-op's sales and marketing programs began to bear fruit.

Strategic alliances were put into place, including a deal that saw the co-op become the supplier for a private label line of deli products with the largest retailer in the United States. A similar deal was sealed with a mid-size retailer. A large-volume co-manufacturing

agreement was also concluded with one of largest food companies in the world and a program with Oscar Mayer was strengthened and continued beyond an initial two-year period. The West Liberty plant also began production of beef, pork and chicken products.

Today, the co-op's plant is the largest producer of deli items for two of the largest sandwich shop chains in the nation: Subway Sandwich Shops and

Schlotzsky's. The co-op has received numerous awards for product excellence and the Iowa Governor's Award of Excellence for 2000 for being an innovative producer of value-added food products.

Rutledge noted that in 1998 the co-op ranked 157th among the nation's meat processors, and estimated that the co-op will climb to 75th by 2000, a year in which it reported \$135 million in sales.

Bringing home the bacon

Jim Lewis, a hog producer from Welcome, Minn., and vice chairman of Pork America, said his co-op was also born in a time of crisis. With hog numbers building and processing capacity falling, the pork market plunged in 1994. That turned out to "be a shot over the bow," Lewis said. The real crunch came in 1998, brought on by the closure of a major pork processor and increased imports from Canada, which caused the hog supply to exceed U.S. processing capacity on some days.

"Actual prices fell lower than in the Great Depression—it was devastating," Lewis said. Hog producers lost between \$4 and \$5 billion in equity.

Producers knew they had to go after the pork business beyond the sale of live hogs, he said. "Some producers may still be under the delusion that they can produce their way to profits—but we don't think they can." Those producers who hope to survive on the profits from production alone are in a "death spiral," Lewis said.

"We must unify with others and move up through the marketing chain. Pork America is not out to fix the entire industry, but we can help our shareholders," he said, thanking USDA (as did the other speakers) for its assistance in establishing their cooperative.

Another concern of producers is the dramatic increase in hogs being produced under contract to meat processors. In 1994, Lewis said about 71 percent of hogs were sold on the open market, but by January 2001, that share had declined to only 17.3 percent.

"So the question is: do we really have an open market?" Ag lenders are a major force driving this trend, he said. "With huge losses in equity and capital, lenders are pushing growers to sign contracts." But with plants running at near capacity,



Cooperatives have traditionally not played a major role in the poultry industry, but the success of the Iowa Turkey Growers Cooperative has generated renewed interest in them. USDA photo

launching the operation could not have been worse. Turkey production was at a record level and prices soon plunged to the lowest level in the modern history of the U.S. turkey business. The depressed market continued through

some growers are also worried about finding a home for their hogs.

There is also good news: demand for pork is climbing. New retail price records were set in each of the first seven months of 2000, and the United States has been a net exporter of pork for the past five years, a situation that last occurred in the 1950s.

"Producers are more efficient than ever; but they face bigger risks and smaller rewards than ever. We do not want to continue on this road," Lewis said. For those who want to reduce their risk, Lewis said there is nothing wrong with entering into contracts. But many others still want the chance for greater rewards and are willing to take some risk.

To help these producers, the National Pork Producers Council formed a task force in 1999 to look into new opportunities for producers. Taking inspiration from U.S. Premium Beef, the council appointed a task force of producers to research these opportunities. The task force gave its report to a group of 53 producers, who represented 20 million hogs, who voted unanimously to form a steering committee to pursue a national pork co-op. By the end of 1999, Pork America was incorporated.

"Through funds from USDA's Rural Business-Cooperative Service and an agreement with the National Pork Producers Council, a major feasibility



Hog farmers hope to limit the impact of market plunges, such as the one that occurred in 1998, by uniting under the umbrella of the new, Pork America cooperative. USDA photo

study was performed which noted that many old packing plants will soon have to be replaced, creating an opportunity for the new cooperative," Lewis said. The study found that the cooperative could not succeed on a small scale, and that supporters of the concept would have to think big, with the goal of becoming one of the top three processors within five years.

Members include producers, co-ops and groups of producers; all must bear the risk of producing their own pigs. Pork America will be an umbrella organization that will help members share information, coordinate marketing and provide other services. It also plans to invest in a processing facility.

"We didn't intend to get into ownership of bricks and mortar at the start," Lewis said. "But it looks like our best option at this point. We think we can

buy one of these plants at a discount." Indeed, the co-op hopes to sign a contract for a plant that will enable it to recoup its investment in only one year. It is also looking into possible partnerships and co-marketing ventures.

Many pork processors, he said, are in a similar situation as producers. "They are very successful, family-owned businesses, but are also being squeezed by consolidation," he said, adding that such a processor could make a good partner for the co-op.

"We don't think anything on the scale of Pork America has ever been tried before coming out of the blocks," Lewis said.

Guarding their flocks

Patrick O'Toole, co-chairman of the new Mountain States Lamb Cooperative, said lamb producers

Food trends bode well for co-ops

Ken Rutledge said there are three main trends in the meat industry which the Iowa Turkey Growers Cooperative will be pursuing, and he advised other co-op value-added food ventures to pay close attention to them as well:

■ Brand marketing—major food companies will look for strategic alliance partners to grow, slaughter and process product. "This is already happening at our co-op, with four separate co-manufacturing agreements with four of the largest food companies in the country." He said Nike athletic wear is the "ultimate brand marketing program—it owns no production facilities. All of its products are co-manufactured. This trend bodes well for cooperative food processors."

■ Private label market—this sector of food production is today very different from the old, generic-label product formerly seen in grocery stores. "Major retailers today want to place their names on upper-end, high-quality products that will compete against the major brands," Rutledge said. The private label business in 2000 grew at a rate of more than 9 percent, while brand sales were flat. "Because most food brands do not want to produce private label products, this situation creates a continuing opportunity for co-ops," he said.

■ Food safety—Rutledge called this the most important trend and "the issue of the millennium for food processors. If you are planning to open a food-production facility, you have a golden opportunity to build a state-of-the-art facility with food safety as the integral part. If you expect to be chosen as a major food processor for a food company...you better provide it with reason to select your company."

Rutledge concluded by stressing how different the frame of reference and the demands of today's young consumers are from those of their parents' generation. Quoting Carol Christiansen of the Dairy Deli Bakery Association: "Their idea of home cooking will be take-out like mom used to buy." ■



The Mountain States Lamb Cooperative hopes to sign up producers with more than 350,000 lambs to help pull the industry out of a steep recession. PHOTO COURTESY AMERICAN SHEEP INDUSTRY ASSOCIATION

hope to rally their sagging industry with a venture similar to U.S. Premium Beef and the Iowa Turkey Growers Co-op. There is no time to waste. The U.S. sheep population has plunged to 8.5 million head, the lowest level since USDA began keeping records in 1867. The industry peaked at 56 million head in 1947.

Carbon County, Wyo., where O'Toole ranches, once had more sheep than any other county in the nation—360,000 in the early 1950s. Today, he is one of the last full-time sheep ranchers in the county. Where sheep once grazed the mountain valleys in this region, today the land sprouts expensive subdivisions and "trophy homes" of the nouveau-rich. As ranch land is

moved out of livestock production and into residential and resort development, it has a big impact on open spaces and wildlife, he noted. "We lose much more than farms when we lose family farms," O'Toole said.

Things started to get extremely hairy for wool producers about a decade ago, when congress eliminated the support programs for wool and honey. "The buzz word then was deficit reduction," O'Toole said, and these two industries became sacrificial lambs. He recalls a visit to then-Senator Alan Simpson of Wyoming, who told him the industry would suffer severely as a result of the action. His blunt warning proved prophetic. Since that day, Wyoming's sheep

population has plunged by half.

The industry has also been shrinking under pressure from an onslaught of imported lamb from Australia and New Zealand. This trend has been accelerated in recent years by the strong U.S. dollar, which makes imports much cheaper.

"The mission of our cooperative is to find a way to stabilize a very good industry," O'Toole said. Like the other successful cooperatives, they hope to manage this by uniting producers who will invest in their own processing and marketing ventures.

The co-op includes predominantly sheep ranchers from six western states: Wyoming, Colorado, Utah, Idaho, Montana and South Dakota. Part of the initial strategy is to market a superior product which he said is already widely perceived to be "the best lamb in the world." The fact that nearly half of the co-op's lambs can be raised mostly on grass and without antibiotics "is a definite selling point."

Co-op officials have visited virtually every major sheep marketer in the nation. They have formed a genetic/technical committee which is working with experts from major universities to help focus the cooperative on uniform health, carcass standards and market strategies. The co-op is also considering a partnership with an existing packer, or buying its own plant.

While other meat industries have made progress in moving to a system of paying producers for high quality carcasses, O'Toole said the sheep industry has not kept pace. However, he said this provides a void for the cooperative to fill, and the co-op members hope to emulate the role U.S. Premium Beef is playing in this area for its members. The co-op is also interested in producing for the kosher market. O'Toole's own lambs kosher at more than 90 percent, an indication of the quality and health of co-op lambs.

The co-op has tentatively scheduled an equity drive which will charge members \$10 a head. It has held 25 meetings so far, and has signed up more than 100 members in all six

Veneman cites cooperatives as vehicle to help growers add value to products

In her first formal speech as secretary of agriculture, delivered at USDA's annual Agricultural Outlook Forum in February, Ann Veneman cited several farmer-owned cooperatives—including U.S. Premium Beef—as examples of the types of operations growers will need for success in the 21st century. She stressed that farmers must produce based on the needs of consumers, and said small-scale farmers seeking to add value to their products may benefit from group action.

"Consolidation and mergers in the food sector are forcing new strategies for operations and production in all sectors of the food chain," Veneman said. "The ever-demanding consumers drive the market today. They want simplified, tailored solutions that bring convenience and help improve their lives."

The combination of globalization, technology and changing consumer demands means "a more tightly connected food chain with stronger linkages among producers, processors and retailers," Veneman said. "Evolution of the new food system may be viewed in different ways, but ultimately, requires new relationships and new thinking."

Structural changes in the grain and meatpacking industries have left many farmers feeling vulnerable about their ability to benefit from the changes, she said. But many farmers, large and small, are "finding ways to participate in the changing market for food products, while improving

their bottom lines. These farmers are taking the lead in more efficiently synchronizing farm production with market demand by recognizing higher value production and value-added processing businesses." This trend is being seen both among large farmers and smaller farmers who band together in alliances, she noted. As successful examples of the later, she mentioned Dakota Growers Pasta cooperative, U.S. Premium Beef and Tennessee Pork Producers.

Veneman said her initial focus at USDA will be on expanding trade opportunities for U.S. agriculture, supporting development and the adoption of new technology to promote increased production and new products—such as ethanol and bio-diesel fuels—and exploring ways to ease regulatory burdens on farmers, making sure regulations are "based on sound science and common sense." She's also focusing on USDA's food safety and disease prevention programs and ways to improve farm safety-net programs.

Quoting Ken Blanchard's book "Mission Possible," Veneman said, "If you are not involved today in creating tomorrow's markets, or knowledgeable about what's happening in these markets, you are unlikely to find yourselves competing in them." ■

Editor's note: Secretary Veneman's entire Outlook Conference speech can be read at the following web site: <http://www.usda.gov/news/releases/2001/02/0031.htm>

states it plans to operate in. "This task would have been much easier a decade ago, but since then, the depressed market has eaten up the equity in their operations," O'Toole said. The co-op is well on its way to signing up producers with 350,000 lambs as an initial base.

USDA's role

USDA's Torgerson noted that Congress has recognized the need for new,

farmer-owned, value-added cooperatives such as these, and is supporting them through various technical assistance, loan and grant programs offered through the Rural Business-Cooperative Service (RBS) of USDA Rural Development. The 1996 Farm Bill extended USDA's Business and Industry (B&I) Loan Guarantee program to include producer loan guarantees for stock purchase in new, value-added cooperatives. USDA/RBS has also

established a set aside in the B&I program, reserving \$100 million to \$200 million annually for use by farmer-owned cooperatives.

USDA is also supporting Cooperative Development Centers to provide another source of technical assistance for co-op start-ups throughout Rural America. As part of the Agricultural Risk Protection Act of 2000, Congress established a value-added product marketing grant program to further promote this type of business activity.

The cooperatives that participated in the forum all benefitted in one way or another from these USDA programs. Torgerson noted: "These new initiatives represent examples of proactive efforts to fight concentration in their industries and to provide members with continued market access." ■



Steve Hunt of U.S. Premium Beef shares his experiences during the USDA Agricultural Outlook Conference. To the right are: Jim Lewis of Pork America, Patrick O'Toole of Mountain States Lamb Cooperative and Ken Rutledge of Iowa Turkey Growers Cooperative. USDA PHOTO BY DAN CAMPBELL



How does your local farm supply co-op rate?

Beverly L. Rotan, Ag Economist
USDA Rural Business-Cooperative Service

How does your cooperative's performance compare with cooperatives with similar functions? Was it higher, lower or about the same as the average of a cross section of local farm cooperatives for such factors as sales, product mix,

etc.? Comparisons with other cooperatives—including trend lines and industry-norms—may help to determine how well your cooperative is doing. ■

The two tables below contain average financial data compiled from a survey of 291 cooperatives for 1998 and 1999. Fill in the blanks and compare these benchmarks with your cooperative's financial data. How's your cooperative doing? ■

Table 1—Compare your local farm supply cooperative with industry averages¹

Measure/Item	Unit	Size (1998) ^{2,3}				Size (1999) ^{2,3}				Your cooperative
		Small	Medium	Large	Super	Small	Medium	Large	Super	
Sell farm supplies only	Percent	85	38	26	5	85	38	26	5	—
Total assets	Mil. dol.	1.6	4.4	7.7	14.2	1.8	4.8	8.3	14.9	—
Long-term debt	Thou. dol.	76.8	420.9	827.0	1,982.1	70.2	438.5	919.0	2,112.7	—
Total liabilities	Thou. dol.	390.9	1,413.2	3,029.9	5,999.3	393.9	1,660.0	3,392.1	6,204.4	—
Total sales	Mil. dol.	2.5	6.6	13.1	24.9	2.5	6.6	13.2	23.6	—
Total service revenue	Thou. dol.	65.5	236.1	322.7	718.3	84.7	227.1	348.4	743.0	—
Total revenue	Mil. dol.	2.7	7.0	13.8	26.3	2.7	7.1	14.0	25.0	—
Net income (losses)	Thou. dol.	100.0	334.1	501.7	900.3	89.4	263.6	461.2	820.0	—
Labor of total expenses	Percent	54.1	52.0	54.2	53.0	54.1	52.0	54.7	53.5	—
Patronage refunds received	Thou. dol.	70.5	194.0	281.9	531.8	61.2	173.9	275.0	484.7	—
Liquidity ratios										
Current	Ratio	2.50	1.84	1.37	1.34	2.35	1.90	1.40	1.41	—
Quick	Ratio	1.49	1.00	0.70	0.77	1.38	1.05	0.75	0.63	—
Leverage ratios										
Debt	Ratio	0.24	0.32	0.39	0.42	0.09	0.12	0.17	0.19	—
Debt-to-equity	Ratio	0.32	0.47	0.65	0.73	0.07	0.12	0.15	0.13	—
Times interest earned	Ratio	7.28	6.46	4.64	4.63	5.87	6.83	5.37	5.88	—
Activity ratios										
Fixed asset turnover	Ratio	7.23	5.49	5.24	5.03	6.62	5.97	5.02	5.79	—
Total asset turnover	Ratio	1.56	1.49	1.70	1.75	1.57	1.57	1.60	1.68	—
Profitability ratio										
Gross profit margins	Percent	17.41	17.93	20.19	17.08	17.86	18.15	19.56	15.88	—
Return on total assets before interest and taxes	Percent	7.11	8.97	8.32	8.07	8.76	8.30	8.85	—	—
Return on total equity	Percent	10.36	13.37	13.34	14.47	7.20	10.21	10.13	11.22	—

¹/ 100 percent of sales were generated from farm supply sales. ²/ Small = Sales are \$5 million or less; medium = over \$5 million to \$10 million; large = over \$10 million to \$20 million; and super = over \$20 million. ³/ There were 329 cooperatives surveyed in both years.

Table 2—Compare your mixed farm supply cooperative with industry averages¹

Measure/Item	Unit	Size (1998) ^{2,3}				Size (1999) ^{2,3}				Your cooperative
		Small	Medium	Large	Super	Small	Medium	Large	Super	
Sell farm supplies only	Percent	85	38	26	5	85	38	26	5	_____
Market farm products and sell farm supplies	Percent	6	16	13	16	6	16	13	16	_____
Total assets	Mil. dol.	1.2	3.9	7.5	16.4	1.3	3.8	8.3	17.4	_____
Long-term debt	Thou. dol.	21.7	616.3	808.0	1,899.9	62.9	438.8	1,417.4	2,180.3	_____
Total liabilities	Thou. dol.	390.9	1,459.8	2,782.4	7,436.1	379.0	1,390.8	3,544.0	7,556.7	_____
Total sales	Mil. dol.	2.7	7.2	13.8	32.9	2.7	6.9	13.3	31.2	_____
Total service revenue	Thou. dol.	64.1	349.6	568.7	1,241.2	80.8	402.8	626.8	1,563.3	_____
Total revenue	Mil. dol.	2.8	7.8	14.8	35.0	2.9	7.5	14.4	33.6	_____
Net income (losses)	Thou. dol.	10.7	259.2	414.3	1,041.4	50.9	202.4	318.9	994.1	_____
Labor of total expenses	Percent	50.9	48.1	51.3	48.8	53.4	48.8	51.0	50.0	_____
Patronage refunds received	Thou. dol.	35.4	135.3	319.4	639.1	34.5	109.7	253.0	548.0	_____
Liquidity ratios										
Current	Ratio	2.05	1.67	1.41	1.35	1.71	1.56	1.39	1.38	_____
Quick	Ratio	1.31	0.97	0.70	0.64	0.83	0.86	0.70	0.69	_____
Leverage ratios										
Debt	Ratio	0.27	0.38	0.37	0.45	0.30	0.37	0.43	0.43	_____
Debt to equity	Ratio	0.37	0.61	0.59	0.82	0.43	0.58	0.74	0.77	_____
Times interest earned	Ratio	1.55	4.60	3.96	3.75	3.54	4.10	3.11	3.74	_____
Activity ratios										
Fixed asset turnover	Ratio	18.55	5.63	5.87	7.03	10.55	5.75	4.79	6.11	_____
Total asset turnover	Ratio	2.21	1.86	1.84	2.00	2.16	1.83	1.60	1.79	_____
Profitability ratio										
Gross profit margins	Percent	9.44	13.36	14.96	15.10	11.62	14.30	16.03	16.27	_____
Return on total assets before interest and taxes	Percent	2.51	8.56	7.38	8.63	5.60	7.07	5.66	7.79	_____
Return on total equity	Percent	1.37	14.48	10.58	13.36	7.58	11.97	8.12	11.44	_____

¹/ 50 to 99 percent of sales were generated from farm supply sales. ^{2/} Small = Sales are \$5 million or less; medium = over \$5 million to \$10 million; large = over \$10 million to \$20 million; and super = over \$20 million. ^{3/} There were 329 cooperatives surveyed in both years.

New olive co-op buys TVG cannery

Olive growers have formed a cooperative that has purchased a Madera, Calif., olive cannery from bankrupt Tri Valley Growers (TVG). According to the *Modesto Bee* newspaper, California Olive Growers bought the cannery for only \$1, but committed to spending \$9.5 million on environmental cleanup around the plant.

The new co-op hopes to have the plant ready by September to process this year's crop. When production resumes, the cooperative will focus on frozen black olives for the food-service industry. The deal includes the popular Oberti olive brand.

The U.S. Bankruptcy Court also recently approved the sale of nine other TVG canneries and most of its assets

to a new subsidiary of the John Hancock Life Insurance Co., which was the co-op's largest creditor.

The Madera olive cannery site is saddled with environmental problems. Production of black olives over the years has left a chloride residue in the groundwater underneath the cannery. Even though evaporation ponds were used, chemicals leached into the soil and affected water quality. The growers have reached an agreement with the Central Valley Walter Quality Control Board which gives them 25 years to complete the cleanup. The cooperative will continue pumping and cleansing groundwater as part of the cleanup. TVG closed the plant in 1999 due to the water quality problems.

Local cooperatives' role in identity-preserved grain industry

Julie A. Hogeland, Ag Economist
USDA Rural Business-Cooperative Service

Identity-preserved grains have generated a small revolution in the marketplace and offer a case study on how and why local cooperatives choose to innovate.

Like the grain industry in general, local co-ops are oriented toward mass marketing, buying in bulk from many producers, co-mingling and blending lots for an average (No. 2) quality. Such grain is then re-sold to a variety of users.

It has been up to users to adapt the grains to their specific processing requirements. But improvements in processing characteristics or nutrient value recently introduced by genetic engineering and advanced plant breeding techniques have begun to shift the burden of adjustment back to the grain elevator and feed mill.

Capturing the greater inherent value of these grains requires specially dedicated elevators or grain bins for identity preservation (IP). Mill cleaning between runs and testing to assure purity of incoming and outgoing grain are also required. Re-valuations of other established practices—including market development, contracting with growers, specialized facilities and grower education—may also be required. Recent news reports about specialized feed grains filtering into the food chain suggest that handling margins may not cover the cost of segregation or other adjustments.

In mid-1999, just before controversy about health and safety issues exploded in the European Union, USDA/RBS conducted a survey of local cooperatives' interest in and experience with such identity preserved grains. Respondents surveyed were local cooperatives with at least \$15 million in annual sales (with about 40 percent from total grain sales).

The survey offered a window on how cooperative culture—including priorities and established ways of doing business— influenced local cooperatives' response to IP grain. Respondents, who included general managers or feed or grain department managers, picked one of the following three choices to describe the operating style of their cooperative:

a. *We value being “first” with new products, markets and technologies, even though not all efforts prove to be profitable. We typically respond rapidly to early signals about areas of opportunity.*

b. *We seldom are “first” with new products. However, we monitor our major competitors to see if we can be second with a more cost-efficient, perhaps more innovative product.*

c. *We try to maintain a secure niche in a relatively stable product or area. We try to protect our domain by offering higher quality, superior service, lower prices, etc. We tend to ignore industry changes that have no direct influence on current areas of operation or commodity priorities.*

Those who chose the first category were classified as “Innovators”; the second, “Followers”; and the third, “Status Quo.”

It was expected that most would consider themselves Status Quo. Cooperatives are often considered to be conservative organizations, reflecting the orientation of producer-members buffeted by weather and a constantly changing political landscape. Change within cooperatives is seldom fast because operational and structural changes are carefully deliberated to determine the impact on the organization's future course. The service orientation of cooperatives, coupled with industry overcapacity in feed mills and elevators, means members may be reluctant to upgrade facilities or invest in new ones.

Success in the grain industry has generally depended on maximizing facility turnover and maximizing the spread, the difference between the buying and resale prices for grain. Cooperatives that have been successful by this standard may see no reason to jeopardize that success by investing in an innovation that requires a lot of add-ons to make it work.

In the course of seeking the highest resale price for members' grain, such locals may regard their regional cooperative as just another bidder. This may be an outgrowth of grain producers' willingness to sell anywhere that earns an extra penny per bushel. But minimal producer commitment at the local level can reduce a local cooperative's commitment to its regional cooperative, lowering coordination within the system as a whole. Nevertheless, competition between regionals and locals appears to be the norm in cooperative grain marketing.

Local co-ops cope with the constant possibility of member turnover by striving for a loyal customer base. The result may be a niche of relatively small, often older, diversified family farmers. The link between local and producer is a trust based on familiarity ("We grew up together," was a common comment). Established loyalties may mean that if the cooperative doesn't get new customers, neither does it lose established ones. Unlike more aggressive suppliers, such cooperatives are often particularly sensitive to farmers other suppliers might write off as inefficient. These cooperatives may expend their financial resources by not building or upgrading facilities, but by extending credit to a clientele viewed as neighbors.

Although the 222 respondents were evenly split between the three categories, the "Follower" category seemed to closely resemble, in volume and attitudes, the "Status Quo" group. The contrasts between Innovators and the Status Quo and Follower groups suggests that the small revolution triggered by IP grains portends a cultural divide among local cooperatives.

Respondents from the "Innovator" group handled a much greater volume of IP grain than the Follower and Status Quo groups, replicating the volume-driven commodity market within an IP context. Interdependence demonstrated through partnering with regional cooperatives and investor-owned firms (IOFs) appeared to underwrite Innovators' willingness to bet on new products. The more traditional and independent Status Quo/Follower cooperatives were more likely to regard regionals as competitors.

The Follower and Status Quo groups appeared to resist change, and, not surprisingly, they saw less evidence of producers adopting IP grains in their marketing territory than did Innovators. Sixteen percent of Innovators saw IP grains making substantial inroads in their marketing territories, measured by farm numbers or sizes, compared with 7 percent of the Follower and 1 percent of Status Quo groups. Twelve percent of the Status Quo group did not expect IP grains to affect producers in their area in the future. Only 5 percent each of Follower and Innovator

groups felt the same. Fourteen percent of the Status Quo group acknowledged they didn't know the extent of farmer adoption in their territory, compared with 4 percent of Innovators and 7 percent of the Follower group.

Slightly over 40 percent of all respondents saw increased planting of IP-grains from 1998 to 1999, coinciding with industry observations. Sixty percent of Innovators observed increased planting, compared with 36 percent of Followers and 26 percent of Status Quo. Similarly, Status Quo respondents were the least likely to know what size of producers were adopting IP grains.

Here again, Innovators were the most knowledgeable. Status Quo locals pictured themselves

being an industry in-and-outer according to grain prices, whereas Innovators were more likely to commit to a specific role using IP grain, such as feeding livestock. A "wait and see" attitude was common among Status Quo locals.

These results demonstrate the truth in the observation that organizational environments are not given realities; they are created through a process of attention and interpretation. Status Quo and, to a lesser degree, Follower local co-ops preferred to get the best prices for grain by continuing to focus on traditional marketing practices. Theirs was a narrowly honed strategy. In contrast, Innovator co-ops operated in a multi-dimensional world where many avenues, and perhaps some money-losing detours, could ultimately achieve a similar end.

These survey results suggest that a new cooperative culture appears to be emerging alongside the established framework that includes managers who continually scan the environment for new opportunities, spread risk by partnering, and are psychologically at ease with the time required for new investments to mature. While continued controversy over IP grain may justify a conservative approach, survey results suggest some two-thirds of local cooperative elevators—and perhaps their members as well—may change only when forced to do so by industry conditions. ■





'Best of the best' inducted into Co-op Hall of Fame

John B. Gauci, David A. Hamil, and Otis and Mary Lee Molz have received the highest honor bestowed by the cooperative community: induction into the Cooperative Hall of Fame. Hundreds gathered at a ceremony April 25 at the National Press Club in Washington, D.C., to honor



The newest inductees into the Cooperative Hall of Fame were joined by some Hall of Fame alumni during the induction ceremony in Washington D.C. in April. Seated, from left, are: John Gauci, David Hamil and Mary Lee Molz (all three are new inductees for 2001). Standing (from left): Henry Holloway, Gonze Twitty, Ed Jaenke, Roger Willcox, Stan Dreyer, David Smith, Glenn Webb, Otis Molz (new inductee) and Malcom Harding.

PHOTO BY KEITH BARRACLOUGH, COURTESY COOPERATIVE DEVELOPMENT FOUNDATION

them and their outstanding contributions to cooperatives.

To mark the 25th anniversary of the Cooperative Hall of Fame, a number of past Hall of Fame inductees attended the event. The anniversary was also marked by the launching of a new Cooperative Hall of Fame Web site, www.coopheroes.org.

Master of Ceremonies Harvey Sigelbaum, co-CEO of MultiPlan

Inc., explained that the 2001 inductees were selected by two committees of national co-op leaders based on their "genuinely heroic" contributions to cooperatives. "They truly are the best of the best," said Sigelbaum.

John B. Gauci was recognized for his life-long devotion to developing co-ops throughout the world to help people improve their lives. In his acceptance speech, Gauci emphasized the need for all cooperatives and co-op leaders to commit themselves to ongoing and new co-op development initiatives.

David A. Hamil served as administrator of the Rural Electrification Administration for 14 years under four presidents and was a driving force behind the creation of the National Rural Utilities Cooperative Finance Corporation. He was visibly touched by the honor bestowed upon him. At age 92, he

thanked the group for remembering the "old timers" and their efforts.

Otis and Mary Lee Molz were honored for their years of volunteerism in cooperatives in the United States and overseas. Otis acknowledged the support of others in their efforts while Mary Lee urged the young cooperators in the room to devote themselves to co-ops.

The Cooperative Development

Foundation, a national foundation promoting self-help and mutual aid in community, economic and social development through cooperative enterprise, administers the Cooperative Hall of Fame.

DFA sells interest in Suiza for cash, six dairy plants

On the heels of a merger between Suiza Foods of Dallas and Dean Foods of suburban Chicago, Dairy Farmers of America (DFA) has sold its nearly 34 percent interest in Suiza. In return, DFA gained more than \$165 million plus ownership in six dairy plants located in: Miami and Winter Haven, Fla.; Birmingham, Ala.; Cincinnati, Ohio; Charleston, S.C.; and Salt Lake City, Utah. The plants represent areas where Suiza and Dean, the nation's two largest dairy processors, had overlapping operations.

Suiza paid \$1.5 billion in cash and stock to buy Dean Foods and absorbed its \$1 billion debt. The Associated Press and *The Wall Street Journal* report that the new company, which will carry the Dean name, will have an estimated \$10 billion in dairy and specialty food sales. It will control a 30- to 35-percent share of the fluid milk market, depending upon the outcome of some antitrust issues. The deal is expected to be closed later this year. Suiza has completed 43 acquisitions in its eight-year history.

Meanwhile, DFA has placed its new plants in a new company called National Dairy Holdings, LP. It will share ownership with three dairy entrepreneurs. The firm will also operate the Valley Rich plant at Roanoke, Va., which had been

jointly owned by DFA and Allen Meyer, one of the three entrepreneurs.

According to newspaper reports, U.S. Sen. Patrick Leahy of Vermont expressed reservations about the Suiza-Dean merger. "The acquisition would create a company with vast market power not only over consumers, but also over farmers who can expect to be offered even lower prices for their labor and products," he said. Last year, Leahy had asked the Justice Department to look into potential anti competitive activities of Suiza. "It already controls or handles 70 percent of the fluid milk in New England, and regional retail milk prices already have risen because of the concentration."

In other DFA news, its corporate board of directors has been reduced from 116 to 48, marking the end of the cooperative's initial restructuring period following its formation. The new board was seated at the April 3 annual meeting in Kansas City, Mo. The directors had been chosen earlier for a one-year term to represent a local district within DFA's seven geographic marketing areas in its 45-state territory. In the officer election, Herman Brubaker of West Alexandria, Ohio, was re-named chairman of the board, the post he has held since DFA was formed in 1998. Other officers

are: Tom Camerlo, Florence, Colo., first vice chairman; Charles Beckendorf, Tomball, Texas, vice chairman; Bill Siebenborn, Trenton, Mo., vice chairman; and Randy Mooney, Rogersville, Mo., secretary-treasurer.

DFA, the nation's largest dairy cooperative, last year processed and marketed 45 million pounds of milk for its 27,000 members.



To meet the growing demand for blue cheese, Swiss Valley Farms is increasing production of its Mindoro Blue. PHOTO COURTESY SWISS VALLEY FARMS

Swiss Valley sets dividend

The board of directors for Swiss Valley Farms, Davenport, Iowa, has declared a 22-cent per hundredweight dividend to members who delivered milk to the cooperative in fiscal 2000. Swiss Valley earned a \$6 million profit,

from which it paid 12 cents per hundredweight in cash (54.5 percent) and the balance in stock.

The year was marked by tremendous growth in market share, membership and growth in equity for the cooperative, said Gene Quast, the cooperative's chief executive officer. The cooperative's milk supply increased 37 percent. Plant expansion this summer at Mindoro, Wis., will increase blue cheese production. Production and storage capacity has been expanded at the plant in Cedar Rapids, Iowa, which will increase the supply of cultured products, such as cottage cheese and yogurt.

In other news, the cooperative has totally revamped its website, www.swissvalley.com, to offer members a myriad of information about the dairy cooperative. Each division has a site with informative pages linked from the main page. Members can also access extensive producer information, including check history and test results. Swiss Valley has 1,700 members farming in Iowa, Illinois, Wisconsin and Minnesota.

Farmland, ADM launch grain joint venture

When Bob Honse assumed the reins as CEO of Farmland Industries last September, he faced an immediate challenge to reduce the regional cooperative's level of borrowing. Several years of declining earnings and substantial losses from a depressed fertilizer market in 2000 sparked a top-to-bottom review of all the cooperative's operations. Proactive measures to improve the balance sheet were identified as part of this review. Staff reductions, sale of assets and possible joint ventures for some of its operations were all considered.

One of the first results from the review is a new, grain-marketing joint venture with Archer Daniels Midland (ADM), a major investor-owned agricultural processor. This joint venture could generate potential savings of about \$10 million annually, the cooperative projects. Farmland's internal review showed that its grain business borrowed the most but returned the least among its operating units. The



Land O' Lakes and Dairy Farmers of America have formed a joint venture—Melrose Dairy Proteins LLC—to help stabilize local milk markets for Upper Midwest dairy farmers. As a key to this effort, the two co-ops have purchased the Kraft Foods cheese plant in Melrose, Minn., which produces cheddar and other hard natural cheeses. The plant purchases 1 billion pounds of milk annually from 850 Minnesota dairy farms. *PHOTO COURTESY DFA*

new ADM/Farmland company will lease and operate the cooperative's 24 elevators and share the profits.

The *Kansas City Star* reports that Farmland will receive \$3 million annually in lease fees. All of the 400 elevator employees will retain their jobs while another 100 employees at the co-op's headquarters will join the venture or be reassigned at Farmland. In addition to reducing the co-op's debt, the pact will enhance patronage-based earnings for the grain business, Honse said.

The grain business is characterized by low margins and high capital demands. Honse said the cooperative's only export facilities are on the Texas Gulf Coast. With the new venture, Farmland gains access to markets served through the Mississippi River, the Great Lakes region and the Pacific

Northwest while ADM expands to the Great Plains wheat market.

In early May, Farmland announced that it was closing its canned-ham plant in Carroll, Iowa, which will cost the community 150 jobs. The 51-year-old plant was aging, and the popularity of canned hams has also declined, the co-op noted. The cooperative has also idled nitrogen fertilizer plants in Lawrence, Kan., Pollock, La., and Enid, Okla.

Diamond sales top \$244 Million

Sales revenue from walnuts and other nuts increased 13 percent, to more than \$244 million, for Diamond of California in fiscal 2000. Diamond generated net earnings of \$18 million, 17 percent higher than in 1999. Gross sales from Diamond Nut Co., which markets nuts other than walnuts, grew

from \$39 million to \$53 million while earnings before interest and taxes increased 33 percent, from \$3 million to \$4 million. Diamond's equity resources now total \$54.

Diamond completed its transition from the former Sun-Diamond Growers partnership and established separate resources for managing sales and distribution, sales administration and information system functions. International retail sales volume climbed 300 percent in the past five years. Food service and ingredient business grew 29 percent last year in the domestic market and 45 percent in the international market. Diamond is not only America's top walnut marketer, but also the leading brand in a variety of other nuts. Cooperative President Michael Mendes noted, "This extraordinary level of awareness

Plane crash stalls production at Foremost dairy plant

A business jet that crashed into a cooler warehouse at the Morning Glory Dairy milk bottling plant at DePere, near Green Bay, Wis., on April 2 killed the pilot and caused several employees to be hospitalized with severe burns. As of late April, two of the burn victims were still in critical condition at a Milwaukee burn center.

Cause of the accident is under investigation by the National Transportation Safety Board. The plant is owned by Foremost Farms USA, Baraboo, Wis. The crash sparked an explosion, ammonia leak and fire in a cooler and product storage area. Neither the dollar loss nor amount of insurance coverage have been disclosed, said Joan Behr, Foremost Farm's director of employee relations and communication. The rebuilt cooler won't be back in service until Labor Day.

The accident occurred during a late afternoon shift change when only 35-40 of the 187 employees were in the plant. Employees followed an evacuation plan, escaped the premises and reported to designated gathering area so firemen could quickly fight the fire. Bottling and some other production resumed within 24 hours while other plant functions gradually returned. Most employees returned to work within 48 hours. During the interim, the cooperative is renting 23,500 square feet of

cooler space from a private firm in Green Bay.

Wisconsin Gov. Scott McCallum flew to Green Bay with cabinet members and advisers, and toured the crash site to assess the damage. The explosion wiped out a supply of dairy products about to be shipped to food services, schools and grocery stores. The plant processed about 500,000 gallons of milk a week for retail, food service and school customers and 1 million pounds of sour cream a week for hundreds of customers in northern Wisconsin and upper Michigan.

During the week after the accident, the cooperative diverted 25 percent of its production and distribution to Foremost's plant at Waukesha near Milwaukee. Milk for some customers was briefly sourced from Swiss Valley Farms and Land O'Lakes, neighboring



The pilot was killed and heavy damage was done to this Foremost Farms USA milk bottling plant in DePere, Wis., when a small business jet crashed into it. PHOTO COURTESY FOREMOST FARMS USA.

dairy cooperatives. Area counselors were engaged by Foremost to assist the employees after the fire. Directors, employees and the media received daily updates and newsletters carried articles about the accident. Milk pickup schedules at member farms were altered for only a day or two. "Support for the cooperative and employees from the community has been overwhelming," Behr said.

derives from the company's investment in the brand."

AMPI leader urges more member participation in co-op

One of the basic tenets of cooperatives is member participation, although it's not always emphasized the way it

should be. Mark Furth, general manager of Associated Milk Producers Inc. (AMPI), at New Ulm, Minn., feels so strongly about the issue that he made increased member participation one of his five-year goals for the cooperative.

Last on his list was "growing new roots." Writing in the cooperative's "Dairymen's Digest"

magazine, Furth explained, "Although AMPI has experienced near-record growth in membership and milk volume, member involvement has to keep pace. In a cooperative, involvement should not be optional. You have an investment in this farm-to-market business. It's your company. Is it working for you?" The magazine included a listing of the cooperative's elected leaders. "This listing is a useful tool when wanting to propose a resolution, discuss an issue or learn more about your cooperative," Furth continued. "Becoming involved may be as simple as calling a fellow AMPI member about a concern or as rewarding as aspiring to be on the corporate board of directors. You decide. It's your business. Accept the challenge!"

"As an AMPI owner, 4,800 Midwest neighbors are your business partners.



Mark Furth
PHOTOS COURTESY AMPI



Paul Toft

Together, you own a farm-to-market business that processes, packages and markets your milk. In an age when producers everywhere are striving to move their products up the food chain, you are well on your way," Furth reminded the membership.

During fiscal 2000, AMPI achieved \$1 billion in sales, had increased earnings of \$9.8 million and revolved \$8.9 million back to members. Amidst an environment of rising producer exits and retirements, more than 300 new producers joined AMPI last year. The cooperative's record-breaking sales and volume of packaged cheeses were the catalyst for a \$3 million facility expansion at Portage, Wis. The building project will be completed later this year and increase the plant's sales cooler capacity. "Our consumer-packaging facilities are a long-term investment for our business," Furth said. "New customer orders of aseptically packaged products made in Dawson, Minn., and cheese packaged in Portage resulted in double digit sales growth."

In the officer election following the annual meeting, Paul Toft, Rice Lake, Wis., former vice president of the board and a director for 14 years, was elected president. He succeeds Wayne Bok, Geddes, S.D., who is retiring from the dairy industry. The board has been downsized from 34 to 33 members. Toft has been marketing milk through AMPI to its plant at Jim Fall, Wis., since 1973. His youngest son, Mark, returned to the dairy farm this spring.

Texas rice co-op formed

A group of about 30 rice growers near the Wharton County community of Louise, Texas, have formed a new marketing cooperative to earn more from the long-grain rice market. Producers are not only suffering from historic low prices, but also from the high cost of farm production supplies, particularly fuel and fertilizer. The cooperative hopes to handle members' rice from the dryer to the grocery shelf. The interim board will canvass other rice growers with an eye to increasing membership. Simultaneously, it will

work on developing the legal and business framework of the cooperative.

The new rice co-op has set a minimum commitment of 1.2 million hundredweights of rice and a maximum of 2.5 million hundredweights—about one-fourth of the rice grown in the Texas area west of Houston. The concept is similar to Riceland Foods, an Arkansas rice marketing cooperative. A key to the plan will be to buy or lease a mill with established brands which earn more than bulk rice in domestic and export markets. The cooperative already has a small mill in mind to purchase. Rice acres hit a 30-year low last year, but the yield was up due to improved varieties and ideal growing conditions.

Pork co-op faces obstacles

Despite opposition from a local group, Family Quality Pork Processors Cooperative of northeastern Nebraska is taking steps to operate a \$2.4 million packing plant that can slaughter 250,000 hogs per year. In the first step, the Boone County Planning Commission has approved a site east of Petersburg. The next step will be to obtain a conditional-use permit to operate the planned \$2.4-million facility, which would employ about 40 workers. The cooperative seeks to expand its current membership of 125 to 150.

Proponents say the facility will look more like a farm than a factory and have less odor and runoff than traditional slaughter plants. Investors see the cooperative as a way of helping small producers stay in business. Members are being asked to pay a fee of \$12 for every hog they want slaughtered at the plant each year. Membership investment was open to the first 149 producers who wanted to invest up to \$250 per person to fund the business plan.

Wisconsin co-op initiates semen research trial

Results are expected this summer from a sexed-semen research trial being conducted in collaboration with Accelerated Genetics of Baraboo, Wis., XY Inc. and Colorado State University. The goal is to introduce sexed semen

Beet grower co-ops on brink of processing most U.S. sugar

Transactions are pending with three new grower-owned sugar beet cooperatives to purchase the major processing plants currently owned by Imperial Sugar Co. of Sugar Land, Texas, its subsidiaries, and Western Sugar Co., owned by Tate & Lyle LLC of London. Imperial, the largest processor and marketer of refined sugar in the United States, filed for chapter 11 bankruptcy protection in January.

"Once Imperial sells Michigan Sugar and Western Sugar sells its factories, 90 percent of the sugar beets planted (nationwide this year) will be processed at cooperative factories," said Dick McKamey, president of the Washakie Beet Growers Association at Worland, Wyo. "The growers needed to take this risk not only for themselves, but also for the community and the (factory) employees," McKamey said.

The Washakie association has signed a one-year lease for the Holly Sugar factory. The company, which had planned to close the plant unless growers leased it, will continue operating it and market the sugar.

Growers have been plagued with the lowest prices in 20 years, a glut of sugar, high energy costs and cheap imports from Canada and Mexico. Plans have been postponed until June 30 by the Rocky Mountain Sugar Growers Cooperative to purchase Western Sugar Company at Scotts Bluff, Neb. The cooperative was formed last July when the Western plants were offered for sale.

The delay is expected to help the cooperative to solidify its financing. Also sidelined was a proposal by the Scotts Bluff city council to commit \$500,000 to a 10-year loan from the city's sales tax proceeds to help the cooperative with operating expenses. During the interim, the cooperative will seek to increase its committed acres from 150,000 to 170,000, especially in Colorado and Nebraska. The plants operate more efficiently at the 170,000-acre mark, although Western Sugar's six factories can process up to 185,000 acres of sugar beets.

Growers in Wyoming, Montana, Colorado and Nebraska are subscribing to the new cooperative at a rate of \$185 per acre. The \$78 million agreement will give sugar beet growers their first processing plant ownership stake in the 90-year history of the North Platte River Valley's sugar industry. Hod Kosman, a Scottsbluff banker, volunteered to assist the cooperative. If farmers don't preserve the region's sugar industry and buy Western Sugar, Kosman says land values could drop up to 20 percent. "It's [investing] an excellent way for farmers to participate upstream, and they don't have that opportunity often," he said.

Rick Dorn, a third-generation Montana beet grower and president of the cooperative, said "This is not the growers' burden alone." Although prices have bottomed, cooperative backers believe that's why the deal is within reach of the growers. The cooperative is offering to lease shares to non-members at \$70 per acre for two years; after that, producers can buy shares for an extra \$140 per acre.

The lease will keep the plant open to handle this year's beet crop. The agreement was reached just as farmers were about to sow the 2001 crop. The cooperative will have title to all the sugar produced. In an Associated Press report, Washakie President Rick McCamey said, "The growers needed to take the risk not only for themselves, but also to support both the community and employees."

Meanwhile, Imperial has signed a letter of intent to sell the capital stock of Michigan Sugar Co.'s four factories to Michigan Sugar Beet Growers Inc., a new cooperative of 1,400 growers based at Saginaw. However, the cooperative recently learned it did not qualify for tax-exempt bonds to finance and purchase the facilities. It is seeking low-interest financing elsewhere.

The group needs to secure about \$40 million plus an undetermined line of credit to operate the processing plants.

The cooperative expects to secure 125,000 acres, or the amount of sugar beets processed annually in the Michigan plants. Richard Leach, its executive vice president, said the only way growers will be paid for last year's crop is for members to contract with the cooperative.

The transaction is subject to the negotiation of a definitive agreement and approval of the company's board of directors and resolution of Imperial's Jan. 16 petition for relief to the U.S. Bankruptcy Court for the District of Delaware.

Purchase terms include a cash payment of \$55 million at closing, deferred payments of \$10 million and the cooperative's assumption of \$18.3 million in industrial development bonds. The cooperative faces an Oct. 1 financing deadline. If the deal is closed later, the company will manage the four Michigan factories and market the processed refined sugar under a lease and management agreement so the 2001 crop can be processed. Further, the cooperative will sign a sales and marketing agreement so the company will continue marketing the refined sugar processed by Michigan Sugar Co. after the sale. The cooperative has members in Michigan and Ontario, Canada. A membership drive will follow to sell about 24-million shares at \$200 each plus delivery of one acre of production.



to the North American artificial insemination industry. It's the first time an AI organization in the United States has conducted such a research trial. It will inseminate 1,200 virgin heifers in a concentrated number of dairy herds. The semen was collected from three Accelerated Genetics' sires housed at XY Inc., in Ft. Collins. The ultimate goal is to predetermine the sex of calves from specific matings with the result to have faster gain within herds.

MMPA returns \$1.9 million in cash

For the sixth consecutive year, Michigan Milk Producers Association (MMPA) has paid \$1.9 million in cash patronage refunds to its members. The funds represent 30 percent of the \$65.7 million allocated earnings generated by the cooperative in fiscal 2000. The patronage includes all of the farm supply earnings and 25 percent of the milk marketing profits. Cash payments set a record because the \$4.1 million returned in 1988 and 1989 was paid in equities.

"The ability to make these cash payments and maintain a competitive pay price is the essence of a strong cooperative," said MMPA President Eldwood Kirkpatrick. "We have consistently

generated premiums and net savings (since 1987) while requiring no capital equity retains from our members," he said. "We have operated without any equity capital retain and relied on plant operations, milk marketings and member dues to fund the cooperative."

Foremost converts to mozzarella

A \$91,000 grant from the Wisconsin Development Fund to Foremost Farms is being used to retrain the 50 employees at its cheese production plant at Richland Center, Wis., which will switch from manufacturing cheddar to mozzarella cheese. The major conversion comes on the heels of a tough year for the cooperative based at Baraboo. Earnings for fiscal 2000 reached only \$10 million, down from \$19 million a year earlier. Similarly, revenues dropped to \$1.1 billion from \$1.3 billion in 1999 due to lower cheese prices and higher energy costs.

Patronage refunds for fiscal 2000 reached \$12.6 million, or an average 23 cents per hundredweight for milk marketed through the cooperative. Duaine Kamenick, Foremost's finance vice president, said it had been a trying year for dairy farmers. "Milk prices were lower than they had been in decades

and were followed by record prices in 1998," he said. The average milk price for Foremost members in 2000 was \$11.62 per hundredweight, vs. \$13.93 per hundredweight in 1999. Members received patronage refunds totaling \$12.6 million, down \$2.31 from the 1999 price of \$13.93 per hundredweight. Members marketed 5.3 million pounds of milk. As in past years, Foremost will pay 25 percent of its patronage in cash and add the rest to members' equity accounts.

Record loan level for Texas FCBs

The Farm Credit Bank of Texas and 23 local credit cooperatives in the five-state Tenth Farm Credit District ended fiscal 2000 with record loan volume and strong earnings despite difficult weather and market conditions faced by many agricultural customers. Gross loan volume reached \$5.2 billion, a new record for the 84-year-old district and 9.1 percent higher than 1999. Improvements in the livestock industry contributed substantially to the strong demand for agricultural and equipment loans. Expansion in the integrated processing and marketing sector also were factors.

Local co-ops embracing high-tech agronomy systems *continued from page 13*

it want to offer GPS/GIS technology in the future.

Compared with cooperative fertilizer operations in 1996, there are many similar responses. Local cooperatives are still strongly supported by the regional cooperative procurement and distribution system. Private suppliers and other cooperatives are strong competitors, especially on price.

Cooperative crop protectant application equipment with GPS/GIS technology, combined with the farmers' use of yield monitors on harvesting equipment, provides farmers with maps showing where crop protection works and where pest damage lowers yields.

Local cooperatives, with long experience in fertilizer and crop protectant

application and employing crop/agronomy specialists, can help interpret or make field maps for farmers. Working with regional cooperative personnel, locals provide agronomy record-keeping programs and innovative ways to combine field maps, yield monitors, and fertilizer and crop protectant application equipment.

Use of GPS/GIS technology, crop/agronomy specialists and record keeping is expensive. Many of the respondents that do not offer some or all of these services want to offer them but may be unable to because of the high fixed costs and large volume of crop protectants required. Smaller cooperatives may be able to share a crop/agronomy specialist with a nearby cooperative or purchase GPS/GIS

application units with another cooperative(s) and share the use and expenses. These cooperatives might also consider setting up an agronomy subsidiary or limited liability company to share the use and expenses of new technology, equipment and personnel. ■

1 This study will soon be available for viewing at www.rurdev.usda.gov/rbs/pub/newpub.htm.

2 Standard farm production regions used, Northeast: ME, NH, VT, NY, MA, RI, CT, PA, NJ, DE, MD, and DC. Lake States: MI, WI, and MN. Corn Belt: OH, IN, IL, IA, and MO. Northern Plains: ND, SD, NE, and KS. Appalachian: VA, WV, KY, TN, and NC. Southeast: SC, GA, AL, and FL. Delta States: MS, LA, and AR. Southern Plains: OK and TX. Mountain: MT, ID, WY, CO, UT, NV, AZ, and NM. Pacific: WA, OR, CA, HI, and AK.

It's easy to read and/or download USDA publications about cooperatives from the Internet

The Rural Business Cooperative Service has more than 150 cooperative reports (as well as past issues of this magazine) available on the Internet for viewing or downloading. These titles cover a vast array of topics, ranging from the general, such as "How to Start a Cooperative" or "Cooperatives 101," to technical subjects, such as "Tax Treatment for Cooperatives" or "Managing Cooperative Antitrust Risk."

To access any of these reports, follow these easy steps:

1
2
3
4

1. Go to the USDA Rural Development home page, "<http://www.rurdev.usda.gov>"
2. Click on "Publications" in the lower blue bar at the top of the page
3. Click either "Rural Cooperatives magazine" or "Business/Cooperative Publications"
4. If you chose "Business/Cooperative Publications" in step 3, you can then click either "Cooperative Information Reports," "Research Reports," "Service Reports" or "Miscellaneous Reports."

Or, to go straight to the Library of Publications, access: <http://www.rurdev.usda.gov/rbs/pub/newpub.htm>
If you know the title or publication number of the report you want, scan down the list until you come to it.

To locate a breakdown of publications by subject matter:

1. Click on any one of the four "Reports" categories in the middle of the "RBS Library" menu.
2. Access our catalog by clicking on "Rural Cooperative Publications" in the first line of the second paragraph on the screen that appears (regardless of the type of "reports" accessed).
3. The first option under "Contents" is "Publications by Subject Matter."

Want to access other web sites about USDA programs that support cooperatives?

- The Business and Industry (B&I) Loan Guarantee Program provides government backing for commercial loans to cooperatives and other businesses in rural areas and also guarantees loans to producers to pay for stock in new value-added cooperatives. See http://www.rurdev.usda.gov/rbs/buspl/b&i_gar.htm
- Rural Cooperative Development Grants are made to nonprofit organizations and institutions of higher learning to establish and operate centers for cooperative development. See <http://www.rurdev.usda.gov/rbs/coops/rcdg.htm>
- Under the Market Access Program, Commodity Credit Corporation (CCC) funds are used to partially reimburse cooperatives and nonprofit regional and national agricultural trade organizations, among others, for the cost of conducting market development projects for eligible products in specific countries. See <http://www.fas.usda.gov/mos/programs/mapprog.html>
- In fiscal 2001 and 2002, USDA will use CCC funds to make cash payments of up to \$150 million to bioenergy companies, including cooperatives, that increase their purchases of corn, soybeans, and other commodities to expand production of ethanol and biodiesel in the United States. See <http://www.fsa.usda.gov/daco/bioenergy/bioenergy.htm>



Order Processing Code
* 5389

Company or Personal Name (*please type or print clearly*)

Additional Address/Attention Line

Street Address

City State Zip Code

Daytime Phone Number including area code

Purchase Order Number

YES, enter my subscription as follows:

___ subscriptions to *Rural Cooperatives (NFC)* for \$21 per year (\$26.25 foreign).

The Total cost of my order is \$ _____. The price includes regular domestic postage and handling and is subject to change.

Mail This Form To:

New Orders, Superintendent of Documents •
PO Box 371954 • Pittsburgh, PA • 15250-7965

May we make your name/address available to other mailers? ___ yes ___ no

Please Choose Method of Payment:

- check payable to the *Superintendent of Documents*
- GPO Deposit Account _____ - _____
- VISA or MasterCard Account
_____ - _____ - _____ - _____ -
_____ - _____ (Credit Card expiration date)

*Thank You for
Your Order!*

*Charge your
order. It's Easy!*

*To fax your order
(202) 512-2233*

(Authorizing Signature)

United States
Department of Agriculture
Washington, DC 20250

OFFICIAL BUSINESS

Penalty for private use, \$300

NOTICE:

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

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

Periodicals Postage Paid
U.S. Department of Agriculture