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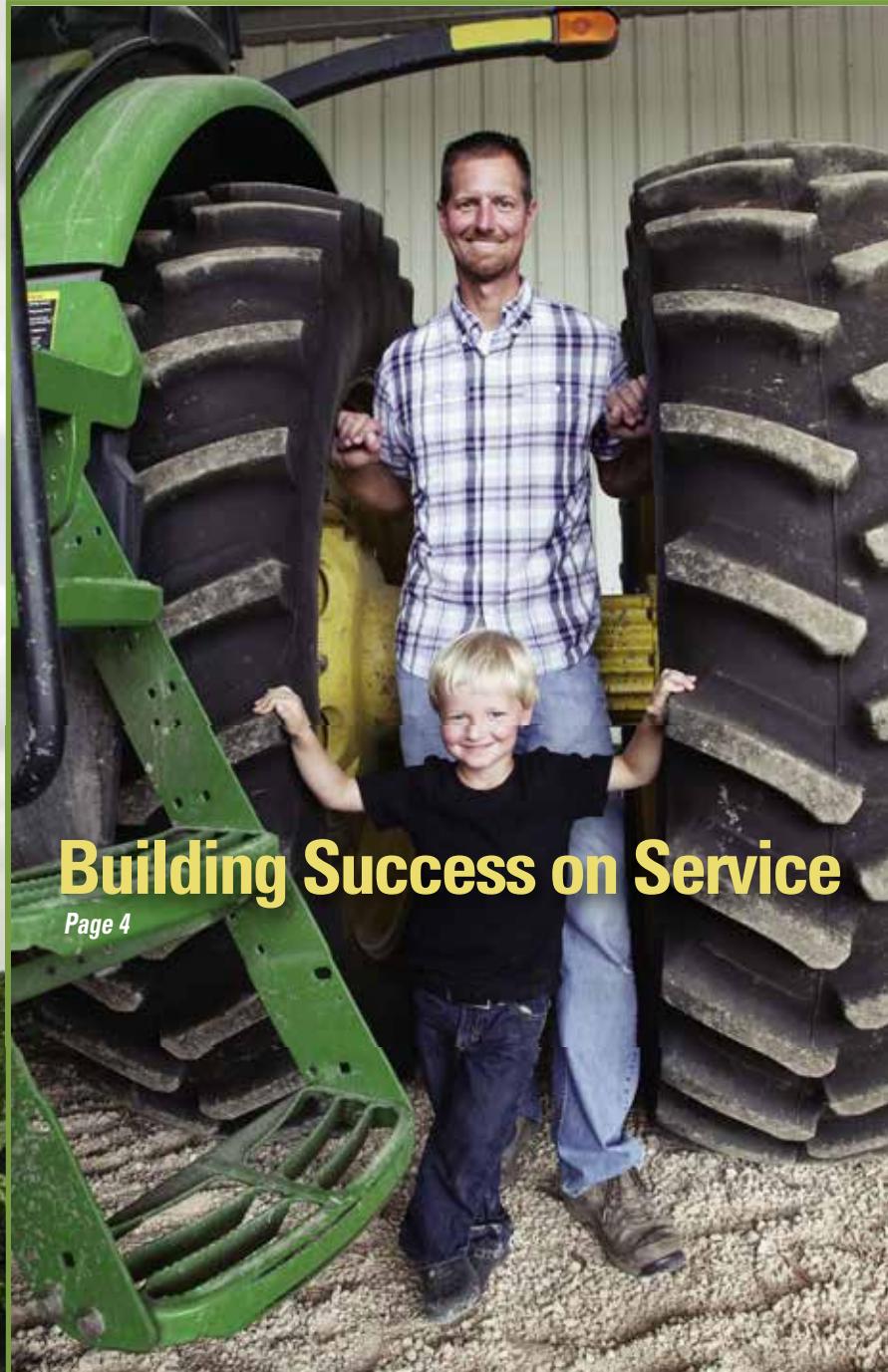
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Rural COOPERATIVES

May / June 2014



Building Success on Service

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United States
Department of
Agriculture

Commentary

Farm Credit partners with USDA to strengthen rural America

By Doug O'Brien

Acting Under Secretary
USDA Rural Development

The Farm Credit System — a financial cooperative owned by the farmers and ranchers who use its services — has long been a prime source of financial services that support food and fiber production. It also often works in tandem with USDA to build a stronger rural America. In this column, I would like to cite two recent examples of this cooperation between Farm Credit and USDA.

One example is Farm Credit's support for the Obama administration's "Made in Rural America" effort. This initiative is designed to help innovative small businesses, including cooperatives, throughout rural America access the capital they need to grow and create jobs. The other example involves Farm Credit System institutions working with USDA to support expansion of a rural hospital that delivers critical healthcare services in Minnesota.

Equity investments in rural business

"Made in Rural America" is an export and investment initiative that will help propel the growth of small businesses across rural America. The new Rural Business Investment Company (RBIC) will now allow USDA to facilitate private-equity investments in agriculture-related businesses and cooperatives. Currently, USDA programs exist to help provide loans or loan guarantees to help rural businesses grow, but many small cutting-edge businesses also need equity support in addition to, or instead of, borrowed funds.

Advantage Capital Partners, which will manage the new fund, and its partners from eight Farm Credit institutions have pledged to invest nearly \$150 million into the new effort. The Farm Credit System's nationwide network of banks and lending associations is specifically chartered to serve agriculture and the U.S. rural economy.

"One of USDA's top priorities is to help reenergize the rural economy, and we now have a powerful new tool available to help achieve that goal," Agriculture Secretary Tom Vilsack said in announcing the fund. "This new partnership will allow us to facilitate private investment in

businesses working in bio-manufacturing, advanced energy production, local and regional food systems, improved farming technologies and other cutting-edge fields."

The fund is being formed under USDA's Rural Business Investment Program (RBIP). USDA utilizes RBIP to license funds to invest in enterprises that will create growth and job opportunities in rural areas, with an emphasis on smaller enterprises. Working through the USDA program enables licensed funds to raise capital from Farm Credit System banks and associations.

This new partnership between Farm Credit institutions and Advantage Capital, a leading growth capital and small-business finance firm, brings together resources and people that are focused on providing more private capital, small business investment and quality jobs to rural America. This public-private partnership will have a tangible positive impact on our rural economy and is a model of how government can serve as a catalyst for private investment in rural America.

Eight Farm Credit institutions providing initial investments in the RBIC fund are: AgStar Financial Services (Mankato, Minn.); AgriBank (St. Paul, Minn.); Capital Farm Credit (Bryan, Texas); CoBank (Denver, Colo.); Farm Credit Bank of Texas (Austin, Texas); Farm Credit Services of America (Omaha, Neb.); Farm Credit Mid-America (Louisville, Ky.); and United Farm Credit Service (Willmar, Minn.).

USDA will be accepting applications for other new Rural Business Investment Companies. Interested applicants have until July 29 to submit their applications for review in fiscal 2014. Any application accepted after this deadline will be held for consideration next year. USDA intends to accept RBIC applications through 2016. Detailed information including application materials and instructions can be found at: www.rurdev.usda.gov/BCP_RBIP.html.

In addition, the White House Rural Council, as part of the Made in Rural America initiative, will convene the Rural Opportunity Investment Conference later this year to attract additional investments to rural America by connecting major investors with rural business leaders, government officials, economic development experts and other partners. To learn more about the conference, visit:

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ON THE COVER: "The thing I value most about my membership in United Ag Cooperative is the knowledge and service the co-op provides in the areas of marketing, agronomy and the handling of our crops," says Texas cotton grower Michael Popp, seen here with son Hayden. "Because of the co-op and the people who work there, the farmers and the community benefit tremendously." For more about the members and employees of United Ag, see page 4. USDA photo by Lance Cheung





Building Success on Service

By Dan Campbell, Editor

Expanded agronomy service enhances value of Texas co-op for cotton and grain producers

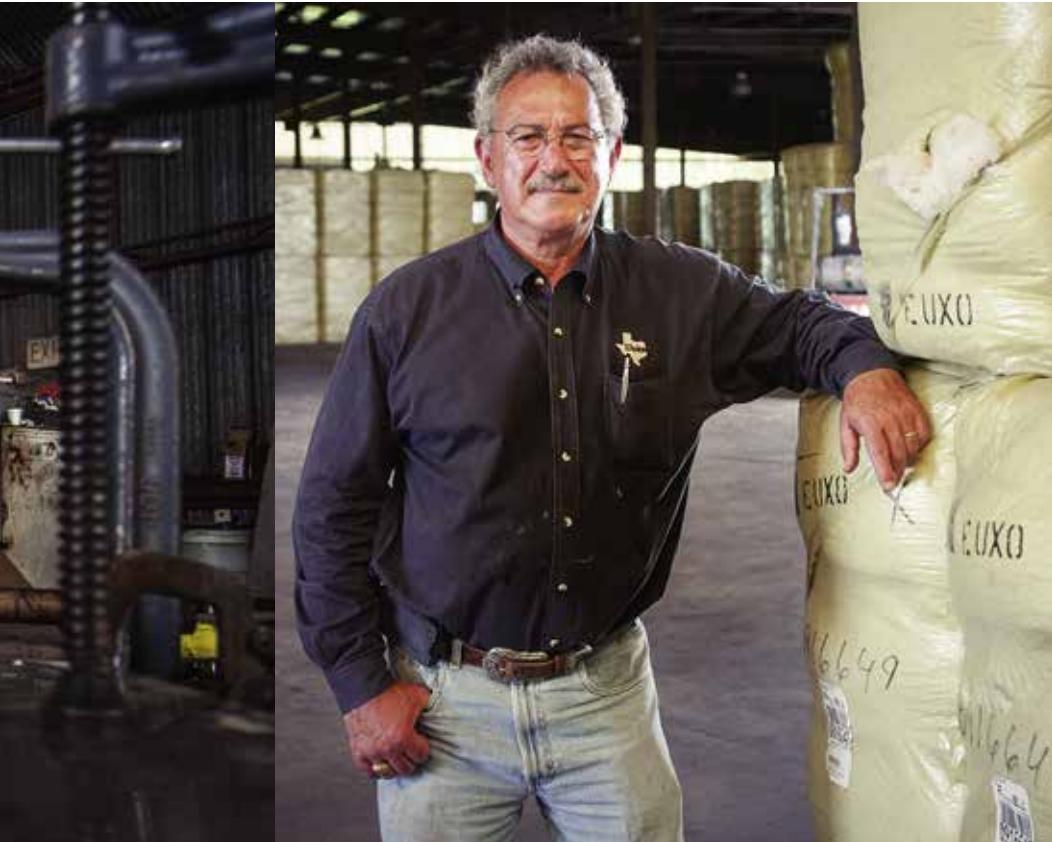


Looking out over a field of cotton prior to harvest, one can picture those puffy white balls being spun into sturdy blue jeans, billowy blouses and soft pillowcases. But there is nothing soft or easy about growing cotton. It is, in a word, “temperamental,” according to Lisa Morcom, an agronomist with United Agricultural Cooperative Inc., in El Campo, Texas, about 90 miles west of Houston.

“There are many crops where you plant them, they



Editor's note: This article is based on interviews conducted by USDA photographer Lance Cheung, who also took the photos.



United Ag Co-op agronomist Lisa Morcom (far left) says that in just four years, United's cotton agronomy program has climbed from 5,000 to 35,000 acres of cotton enrolled. Welder James McKeon (middle photo) at work in the co-op's shop in El Campo. "Our advantage is in service," says Manager Jimmy Roppolo (left), seen in a warehouse filled with bales of cotton. Below: Philip Merek says a USDA loan program that helps beginning farmers enabled him to buy farm equipment, such as this combine, which he needed to start his own farm. USDA Photos by Lance Cheung



grow happily, you harvest them at the end of season and are done,” Morcom says. Cotton is not one of those crops.

“Cotton is of a more indeterminate nature; when a cotton plant is born, it wants to grow into a tree,” she says. “My job is to help members manage their crop – to nurture it, slow it down and speed it up to get the balance needed to maximize the yield,” she continues. “Cotton always keeps you guessing – no two seasons are ever alike. But I love working with cotton.”

Morcom grew up in the farming town of Dubbo, Australia, 260 miles northwest of Sydney. It was during a trip to her grandmother’s house when she was about 12 years old that she decided on an ag career.

There was an agronomist from Texas who lived next door to her grandmother for about six months each year while doing cotton consulting work. “One day, she asked me if I wanted to go out into the fields with her and catch some bugs.”

Eager for something to do, Morcom agreed to tag along. Turns out she had a blast while sweeping for bugs and doing related tests. The inner plant scientist in her had awoken!

“That experience triggered my interest — from that moment, I knew I wanted to be an agronomist.” As an agronomist, Morcom says, “you help farmers decide what they are going to plant, when they will plant and how they will plant.”

Morcom earned a BA in agronomy from the University of New England in Armidale, Australia. Like her early mentor, she was soon following an “endless summer” work routine, splitting each year between the cotton fields of Texas and Australia, which have opposite growing seasons.

Texas calling

It was about five years ago, while back home working in Australia, that Morcom got a call from Jimmy Roppolo, general manager of United Agricultural Cooperative. He told her



“Floor manager” is Joe Vasquez’s (left) job title, but “problem solver” would be just as apt a title for a man who loves helping customers find parts and solutions for needed repairs. Opposite page: Manager Jimmy Roppolo (lower right) is nearly lost in the enormity of one of the co-op’s empty grain silos, one of the largest in southeast Texas.

that United Ag wanted to become more than a source of quality farm supplies and ginning services for its cotton farmers, and was thus launching a crop consulting service and was looking to hire agronomists; he offered her a job.

“Within a month, I had packed up everything and moved to America.” She hit the ground running and is now starting her fifth growing season with United Ag.

The first year, just 5,000 acres of cotton were signed up for the new agronomy program. “A few farmers tentatively held up their hands and agreed to be the guinea pigs,” Morcom recalls with a smile. They were glad they did, because they soon learned that the co-op was quite serious about having expert agronomists in the field to help them, 24/7.

“By the end of that first season, we had 20,000 acres signed up for the

following year,” she says. This summer, the co-op will have about 35,000 acres signed up, which will be overseen by a staff of seven agronomists working out of El Campo and two other locations.

In addition to cotton, the agronomists also advise the co-op’s grain/oilseed farmers, whose primary crops are corn, milo and soybeans, although wheat acreage is starting to expand.

“What differentiated our program was our constant presence in the field — farmers put us on speed dial; they knew that what they asked us to do would get done,” Morcom says. She recalls getting a call from a farmer who was having a problem with his crop. After showing her the situation, he simply told her: “fix it,” and left the rest up to her.

“That really hit me — the fact that he was putting this incredible amount



of trust in me. The decisions we make have such a huge impact on their livelihood. These farmers really are like family to us, so we do everything we can to keep the relationship strong."

The co-op's Agronomy Division is also promoting greater use of precision agriculture practices to help farmers more accurately tailor applications of fertilizer, crop protectants and seeds to

the actual needs of their soil. By not over-applying expensive crop inputs, it saves the farmer money and reduces problems with chemical runoff into streams or ground water supplies.

"Our job is to help members succeed, and this includes putting the right amount of crop inputs on the right acres," Roppolo says. The co-op is also heavily involved in pest monitoring

"to help keep disaster away," he notes.

Manager as talent scout

Whether recruiting a worker from the opposite side of the world, as was the case with Morcom, or just the other side of the street, Roppolo says United Ag Co-op's success is based on the ability to hire the best and brightest staff members.



Rain or shine, farmers depend on co-op

Make hay while the sun shines. Few know the wisdom of that old farming adage better than do producers in Southeast Texas. Farming relatively close to the Gulf Coast means they are often subject to drastic, sudden changes in weather.

"You never know when a hurricane could come your way, packing the power to turn something very pretty into something very ugly in a hurry," says Josh Marek. Severe storms blowing up from the Gulf can turn a field of grain or cotton into a field of mud, all in a snap.

Terence Marek, Josh's uncle, recalls a few years ago having to salvage what he could of a field of milo while contending with foot-and-a-half deep mud. "Terrible weather — raining every single day," he says.

When severe weather is approaching, a farmer may only have a few precious hours to finish harvesting a field. That is when it is most crucial that farm equipment be mechanically sound and ready to roll.

Most farmers with many years in the business have experienced a critical breakdown at the worst possible time. To reduce the odds of that happening, the Marek family works closely with United Agricultural Cooperative.

"I'm really glad we live near a town with a strong ag co-op," Josh says. "A good co-op can help a farmer in so many ways."

"We average about 50 inches of rainfall per year, maybe two or three freezes annually and snow maybe once every five years or so," says Terence. The red silt soil of his land near the Colorado River [not the same river that runs through the Grand

Canyon] is "some of the best farmland in Texas," he says. Wharton County, he adds, is the state's top corn-producing county.

"This area has traditionally been primarily cotton and rice country; but now we have corn varieties that can withstand the heat," says Josh.

The advent of smart phones that enable a farmer to monitor the approach of a storm front while driving a combine or cotton harvester is also a big help. "Broadband wireless has become very important to us," says Josh, who credits the Wharton County Electric Cooperative in El Campo for offering the kind of telecommunications services he needs.

"It [broadband service] is vital in the field for updates on the weather," adds Philip Marek, Terence's son, who operates his own farm. His smart phone also helps him keep up on commodity markets. "This morning, I looked at my phone and could see the price of corn going down 5 to 10 cents," Philip says. "So, I called my broker and sold 5,000 bushels."

Philip says United Ag is helping him with the technical support he needs to adopt a precision farming strategy. "In the past, we would plant 25,000 corn seeds per acre across an entire field. Now we apply it based on the yield potential of the area. We do the same with nitrogen and lime. It's all about improved efficiency."

"We have two or three years of yield maps, which we use in planning application rates," adds Terence. "The goal is to invest more money for inputs on your best land, with the greatest yield potential."

You can find talent all around. For example, Roppolo recalls the time he was impressed by the superior customer service of a woman working at his local dry cleaners. She asked him how long he had been waiting in line, and — feeling that he had been delayed too long — she insisted that he return to his truck, then brought his dry cleaning out to him to get him on his way

quicker. He suggested she apply for an open job at the co-op, which she did and where she has continued to excel.

Other workers come knocking at the co-op. Like welder Juan Arranda, who came in looking for work, but was told there were no jobs at that time. He nonetheless insisted on hanging around the shop, offering his help for nearly two weeks without pay. Roppolo

couldn't let that kind of determination and work ethic slip through his fingers, so he told one of his managers to "put him on the payroll. He's been one of our best workers ever since."

Then there's Joe Vasquez, a floor manager in the large hardware/farm supply store in El Campo. He had been working on a ranch, where, Roppolo was told, "Joe tended to start a job like a hot



"United Ag is an innovator, not just for farmers with row crops, but for cattle producers as well," says Terrence Merek (left). His nephew, Josh Merek, says "A good co-op can help a farmer in so many ways."

There are expenses, of course, for new gear needed to get started in precision farming. Josh says he started the process six years ago with the installation of a yield monitor on his cotton harvester, and has been "slowly moving forward from there." He made his first variable-rate fertilizer application several years ago.

These are just a few examples of how the co-op helps producer-members.

"Our co-op is progressive in everything it does," Terence says. "It is putting in a natural gas pump for cars, which will be the only one between Houston and Corpus Christi. United is an innovator, not just for farmers with row crops, but for cattle producers as well."

Grower field days sponsored by United Ag are another big help to members, says Philip. "The research the co-op supports is geared to address the conditions we grow in here, showing

how we can be more productive."

"When the co-op sponsors an agronomy field day, it is more about helping producers learn than about selling more products," adds Josh. He appreciates that the co-op is not bent on promoting a certain brand of inputs.

Terence recalls the hard work of "chopping cotton as a kid — I always said I'd never be

a cotton farmer when I grew up. So what did I wind up as? A cotton farmer!" he says with a laugh. But farming has been a good life, and he was happy to help Josh and Philip get started with their own farms, mostly by sharing his experience and knowledge with them. "I think that is so important for a young farmer — to learn from experienced farmers."

Josh, who grows 700 acres of corn and cotton, agrees with his uncle, and says that advice has helped him avoid making mistakes. After seven years running his own farm, he has no regrets. "It is exciting and fun — every day is something new. Ever since I was a kid, I never wanted any other job but this."

Philip and Josh both say USDA loan programs for beginning farmers were a big help in starting their own farms.

"USDA's Beginning Farmer Loan Program helped Josh and me get started," says Philip. "It is a guaranteed loan program, offered through the USDA Farm Service Agency. We used it to buy equipment and for the other financing necessary to get started. It was crucial because it is hard for guys our age to find the financing to get started."

—By Dan Campbell; Interviews conducted by Lance Cheung

spur, but would then fizzle out.”

Roppolo, however, got the impression that “maybe Joe wasn’t being treated right. So I told one of our managers to give him a try and to make sure we treated him with the respect we give to all of our employees.” This strategy worked.

“Joe is one of our best and most outgoing employees. He searches for things he can do and does them right. I like to think that this co-op helps workers develop hidden skills. The most important factor is that they have the right attitude toward work.”

“I have learned so much on this job,” Vasquez says. He sees his most valuable trait as “being a problem solver for customers.” One minute he will be helping a customer find the correct fittings for a plumbing job, and then he is off locating a hydraulic hose or a ball bearing needed for a farm machine repair.

“I was born and raised in El Campo, and I love helping the people I’ve known all my life,” Vasquez says.

A successful co-op manager needs to possess a wide skill set. Being a talent scout is one skill that doesn’t always get adequate notice. “As a manager, you are only as successful as the people you have working around you,” Roppolo stresses.

Co-op’s rapid growth

As a rapidly growing, highly diversified co-op with \$121 million in sales in 2013, United Ag needs a lot of talent to keep all the wheels turning smoothly. The co-op has 88 full-time workers, 15 part-time workers and from 30 to 60 seasonal workers (mostly at its elevators).

The co-op operates: two cotton gins, four farm supply/feed/hardware stores, one of the largest capacity grain elevators in southeast Texas, a retail and bulk fuel delivery business, a loading facility and railcar switching yard at the Port of Victoria, a major liquid fertilizer mixing plant, a full-service agronomy department and a cotton warehouse division.

The predecessors of today’s United Agricultural Cooperative were the Farmers Cooperative of El Campo (FCEC) (founded in 1929) and Modern Farmers Cooperative Society (founded

current crop and plan for future crops,” Bowers says. “Through our marketing and purchasing pool program, we are able to market large volumes of grain for a good average price. This is

“What differentiated our program was our constant presence in the field — farmers put us on speed dial; they knew what they asked us to do would get done.”

in 1928), which merged 1982. There was another merger in 2012, with Danevang Farmers Cooperative Society Inc., Danevang, Texas, after which the name was changed to United Agricultural Cooperative Inc.

Roppolo says the two co-ops had been fighting for market share for many years prior to the merger, but at times they had also worked together. Many producers belonged to both co-ops, “so we were offering duplicate services.” The two boards eventually got together and hammered out a merger plan that was adopted by both memberships. The new name was picked to better reflect the co-op’s larger, more regional footprint.

“It is hard to imagine how much this co-op has grown in just the last three years,” Roppolo says. But there is still plenty of competition.

“Our competitors also have good products and prices; our advantage is in service,” Roppolo says. “We will do things others won’t — like opening a store early to help out a good customer who is in a jam. Any time staff can’t answer a question, they know they can call me.”

Grain leverage means market clout for growers

United Co-op works closely with Texas A&M University and has a number of its graduates on staff, such as Lindsey Bowers, a grain merchandiser.

“We work with producers to market

important for our growers, because many of them do not have large grain acreage — a 5,000-bushel contract could be the majority of their crop.”

Pooling gives them guaranteed storage, allowing their grain to be marketed throughout the year, she says. “They can get a loan through the co-op at harvest to generate cash flow, but they can then hold grain for later sale to get a better price and realize a basis appreciation. We are the only co-op in this area that still operates a grain marketing pool like this.”

“Our large volume gives us market leverage, and by marketing for the members, it is one less thing on a farmer’s always full plate.”

“I love working here,” adds Bowers, who is married to a catfish and crops farmer. “Most of us here are tied to ag in some way, through our own families or by marriage. To work here, you have to be passionate about agriculture and the co-op — and to always keep the farmers’ best interest at heart.”

In the tight-knit rural communities around El Campo, people pull together when facing challenges, she says. “It is also a great place to raise a family, says this mother of “two little boys proudly being brought up in agriculture.”

Cotton gins set record

Cotton is United Ag’s biggest division, and last year was the busiest season ever for the two gins it operates. The co-op processed 150,000 bales,



Clockwise from top: Philip Merek checks on his corn crop; co-op grain merchandiser Lindsey Bowers says marketing jointly through the co-op's grain pool gives producers added leverage; a water tower in El Campo, the location of United Ag's headquarters.

says April Graves, United Ag's controller. The average "turnout" was 41 percent — "a tremendous average." It means that for every pound of trash, seed or moisture, the gin produced 41 percent lint — well above the standard for Texas, based on USDA data, she says.

Thanks to a warehouse it purchased in 1992, United Ag can store more than 30,000 bales. This gives it increased marketing flexibility and allows it to ship directly to the port of Houston.

Being diversified is critical to the co-op's success, Graves says. Not only does the co-op offer a wide variety of goods and services to members and the general public, but diversification also gives the co-op economic resiliency.

"If one division has a hard year, it can be offset by another division having a strong year," Graves says. "A small

grain crop can be offset by an awesome cotton crop, or vice versa. A drought year will hurt crops, but we will sell more cattle feed.

A couple of years ago, she says the co-op "got upside down on fertilizer inventory, but other divisions helped offset that. Diversification helps ensure cash flow," she says.

The co-op is further diversified by trading with "town people" (i.e., non-farmers) through its stores. They come in to buy pet food and supplies, lawn and garden items, hardware and many other types of items for home and yard. This trade has room to grow, because "some people still don't realize we are open to the general public," Graves says.

To be a voting co-op member, one must produce some type of ag

commodity and pay a \$50 membership fee. Board members are elected on a one-member, one-vote basis.

"We've undergone a lot of growth in recent years, and that has required the use of capital assets," she says. "It is always a balancing act for our 12-member board as to how the working capital will be allocated."

Leadership makes the difference

Graves says the co-op's biggest ace is "tremendous leadership," both in the general manager's office and in the board room. "We wouldn't be in this strong position without excellent leadership," she stresses.

United Ag's directors all bring lifetimes of diverse farming experience to the board room, Gaves says. One common trait they share is that "they always make decisions based on what is best for the overall co-op," even if sometimes another decision would be best for their own operation.

Tommy Engelke, executive vice president of the Texas Agricultural Cooperative Assoc., says Roppolo is the personification of a "multi-tasker." United Ag Co-op is to be saluted, he says, for its support of Texas A&M ag programs that play a crucial role in keeping Texas agriculture strong. United Ag helped start a cotton engineering chair in the ag engineering department at Texas A&M, and Roppolo is past chairman of the university's Agriculture Leadership Development Council, he notes.

If that's not enough, Roppolo is also past chairman of the state agency that regulates the feed and fertilizer businesses in the state, and he was on the executive committees of the Texas Ag Co-op Council, Texas Grain and Feed Association and the Texas Cotton Ginners Association.

Roppolo, Engelke continues, is a co-op manager who respects the traditions of the past, but is always open to trying new things. "More often than not, the new things he tries work." ■

In 2011, about 25 percent of Wisconsin high school students were overweight or obese (according to the Centers for Disease Control and Prevention's (CDC) 2011 Youth Risk Behavior Surveillance System findings). Furthermore, 22.6 percent of Wisconsin children are considered food insecure, meaning there is uncertainty of access to adequate amounts and varieties of healthful foods.

One approach to addressing these growing nutritional and diet related concerns involves increasing access to healthy fruits and vegetables in schools. Nascent partnerships between federal, state and local public health officials and agriculturalists address these issues by stimulating the development of local food systems that increase the production of, and access to, fresh and nutritious foods.

Farm-to-school programs are built on such partnerships and have the potential to bring fresh, local produce into the lunchroom while providing a new market, or the ability to expand markets, for farmers.

Pairing local food system efforts with current work on farm-to-school programs is not only needed, but timely. In 2010, the federal Child Nutrition Reauthorization Act (also called the Healthy, Hunger-Free Kids Act) passed, issuing the strictest nutritional guidelines in U.S. history.

Schools had to comply with this new law by September 2012. Key provisions in the law include requirements that school lunch programs ensure a significant increase in students' access to fresh fruits and vegetables. It requires that schools offer at least 3 3/4 cups of vegetables each week and 3/4 cup per day for grades K-8, and 5 cups of vegetables per week and 1 cup per day for grades 9-12. Specifically for the "red/orange vegetable" subgroup, schools must offer 3/4 cup per week for grades K-8 and 1 1/4 cup for grades 9-12.

Nationally and in Wisconsin, this impacts the need and potential to produce more of these vegetable crops, as Wisconsin schools involved in the National School Lunch Program feed about 500,000 children every day.

Using global supply chains with low prices is one approach to increasing such food access. But transportation and storage can affect nutritional qualities (Edwards-Jones et al., 2008). From the moment of harvest, nutritional loss can occur without proper transportation and storage (Goldberg, 2003; Hinsch, Slaughter, Craig & Thompson, 1993).

Local/regional solutions

Local and regional production and enhanced supply chains are needed to produce and procure more of these

crops to bring higher quality vegetables to schools. For Wisconsin vegetables growers, the increased demand for carrots, sweet potatoes, squash and other red/orange vegetables presents an opportunity to increase production and to access new markets.

The new requirements to serve more vegetables pose other challenges besides supply and shipping. The costs of fresh and local fruits and vegetables, the skilled labor required for on-site processing and preparation, and student food preferences all raise concerns in school districts that are seeking to comply with these new nutritional guidelines.

When purchasing directly from farmers, schools face challenges involving distribution, coordination and consistency of product. According to the 2013 Wisconsin Farm to School Food Service Director Survey, of those not currently purchasing local produce, 77 percent said that they would prefer to purchase local foods through either a produce distributor or their prime vendor.

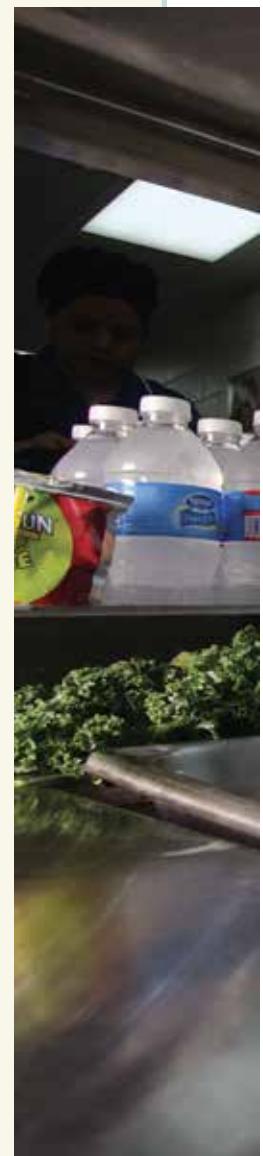
As school nutrition directors are faced with tighter budgets and more restrictions, the need for affordable, healthful and locally grown produce available through existing distribution networks is evident.

Small and mid-sized vegetable growers are interested in diversifying their markets to include schools and other institutions, but the typical industrial supply chain infrastructure does not currently provide that connection.

The article on the following pages describes how staff at the Center for Integrated Agricultural Systems at the University of Wisconsin-Madison worked with the Fifth Season Cooperative to address this missing connection. The article describes how partners coordinated and *cooperated* to create new supply chain opportunities. Together, they created markets for cosmetically imperfect seconds to create affordable, healthful and locally grown school food options.

The story of this multi-stakeholder cooperative in Wisconsin achieving these goals illustrates the potential of cooperatives to play a significant role in successful supply chain partnerships.

— By Lihlani Skipper and Alfonso Morales



The Right Blend

By Lihlani Skipper and Alfonso Morales

USDA Photos by Lance Cheung



Fifth Season's vegetable mixes help scale-up Wisconsin farm-to-school marketing program



The Fifth Season Cooperative in Viroqua, Wis., provides crucial connections across the food supply chain as it strives to help build a stronger local/regional food system. As a multi-stakeholder cooperative, Fifth Season

has members who represent all of the key players in the food system at the local level. Co-op members include farmers, processors, distributors, producer groups, buyers and workers.

Fifth Season operates regionally within a 150-mile radius of Viroqua, Wis., which includes south-central and

southwest Wisconsin, southeast Minnesota and northwest Iowa.

The co-op requires that its produce be grown within the Fifth Season region. Many of the producer-members employ conservation growing practices that emphasize preservation of land, water and air, and that follow bio-

Editor's note: Skipper was a staff member with the University of Wisconsin-Madison Department of Urban and Regional Planning and the Center for Integrated Agricultural Systems; Morales is associate professor of urban and regional planning at the university. Morales gratefully acknowledges the U.S. Department of Agriculture, National Institute of Food and Agriculture, for its support of this study. Also see Sept./Oct. 2013 Rural Cooperatives, page 21, for more on Fifth Season Co-op.

diverse production models, with minimal, or no, use of chemical pesticides.

The co-op produces and distributes locally grown produce, meats, dairy and value-added food products to institutional and foodservice buyers through its distribution member, Reinhart FoodService. The relationship with Reinhart is at the core of the Fifth Season's success because it has allowed the co-op to use existing distribution

businesses and organizations to provide education on, and increased exposure to, locally produced foods for their customers. This helps to build knowledge of the farmers and their practices, as well as the greater value of a regional and community food system.

Fifth Season provides services that significantly benefit its growers. The large volumes that are demanded by institutional markets are often more than single farmers can supply. The co-

supply chain entities. Such positive working relationships are hard to find in mainstream supply chains that are often marked by the volatility of contracts and aggressive competition.

In contrast, the co-op brings everyone to the table to make decisions together for the benefit of all. In so doing, it redistributes power across the supply chain. The mission to create a sustainable local and regional food system, with fair pricing to farmers, is



infrastructure, rather than investing in its own.

This innovative model of a multi-stakeholder cooperative, working with a broad-line food distributor (which is represented on the co-op board of directors) provides producers another critical set of services: warehousing, transportation, sales representatives and a developed customer base, while simultaneously providing hundreds of foodservice buyers access to locally and sustainably grown products.

The co-op also works with

op aggregates crops from multiple farms, allowing small producers to meet the needed volume. It also provides third-party GAP (good agricultural practices) auditing, liability insurance, fair pricing and food safety education and training for the co-op's growers. These services make it possible for small- and mid-sized growers to sell to larger markers that are typically out of reach for them.

Fifth Season's multi-stakeholder cooperative structure ensures that working relationships exist between key

prioritized in their decisionmaking, which contrasts starkly with the market-driven, mainstream food supply chain.

For example, independent small- and medium-sized local growers selling to institutional markets might not receive fair pricing because the processor and the distributor have higher margins for their customers and are not willing to compromise, since they may procure cheaper product elsewhere. However, producer-members of Fifth Season Cooperative have negotiating power and the ability to receive fair pricing

Sweet potatoes (below) and yellow squash and zucchini (facing page) are in demand by many school districts that are seeking to expand their lunchroom offerings of fresh produce.



Schools across the nation are offering more fresh vegetables and fruit to students, trying to encourage them to adopt a healthier diet, a demand which producer co-ops can help meet.

due, in large part, to a model in which producers sit at the same table as the processors, distributors and buyers.

New market for 'cosmetic seconds'

Many producers and producer groups are looking for markets for cosmetically imperfect seconds — good, healthy food that otherwise usually goes to waste due to slight blemishes.

Schools and other institutions are also looking for affordable, minimally processed vegetable products that are locally grown.

Recent reports from Minnesota indicate that crop loss can be as high as 40 percent for carrots and 30 percent for hard squash (Berkenkamp, 2014) due to cosmetic appearance. Thus, the potential benefit to farmers who can market these products is significant.

(Berkenkamp, 2014). Using these “seconds” in minimally processed vegetable blends could provide profit potential to small- and mid-sized farmers, while also providing an affordable healthful product to schools.

Such an effort may seem relatively straightforward at first — i.e., take the seconds that are being wasted in the field and use them to make fresh-cut vegetable products for schools. In reality, however, the task is challenging when working in the mainstream food supply chain.

Cosmetically imperfect seconds are not currently available through most existing school supply chains, as USDA grading standards largely dictate the decisions of the produce industry; product that is not Grade A is often disregarded entirely (Berkenkamp, 2014). In addition, the unpredictability of the price and supply of seconds makes it difficult for large distributors and processors, who typically coordinate with brokers instead of directly with producers.

To provide the enormous volume of product demanded by large-scale processors in the form of seconds, supply chain partners would need to actively coordinate to identify and market cosmetically imperfect seconds. Seconds that are over-sized or oddly shaped can create compatibility issues with existing processing equipment, and thus they have the potential to pose significant challenges to processors. It may not be economically viable for those who do not see the potential benefit of using seconds to attempt this.

Existing contracts and relationships can limit the potential for using cosmetically imperfect seconds for minimally processed vegetable products sold to schools and other institutions.

Generally, the supply chain process works like this: the raw product, in this case seconds, is transported from the farm (or first aggregated from multiple smaller farms) to a processing facility and is then stored for later distribution to the school buyers (see Day

Farnsworth and Morales, 2011, for a more general discussion of local/regional food supply chains). The typical broadline distributors that usually source from large-scale conventional farms are often unfamiliar with how to source from, and coordinate with, small- and mid-sized local farms. Smaller producers differ in scale and transportation capabilities.

Small- and mid-sized producers who sell to commodity or institutional markets are typically “price-takers,” in that they end up being forced to submit to terminal market pricing. This is true even if those prices do not cover their cost of production (Day-Farnsworth & Morales, 2011). Thus, they may have difficulty in earning profits that help them remain viable, especially in the case of a minimally processed product that involves the additional cost of processing.

Direct-to-consumer sales only involve the farmer, while institutional sales often involve other supply chain actors — such as aggregators,



Purchasing directly from farmers can pose challenges for schools in the areas of distribution, coordination and product consistency. Co-ops and food hubs can make these tasks easier.

processors and distributors — to move product from the farm to the consumer. While the profit for the farmer from direct-to-consumer sales is not shared with these other supply chain actors, the farmer is often faced with extra labor for direct marketing. As supply chains include more players that each require a piece of the pie, fair pricing for the farmer becomes more difficult to reach.

For example, the supply chain for raw, whole sweet potatoes consists only of the farmer, while for fresh-cut, diced sweet potatoes, the supply chain involves two or three intermediaries. A farmer can sell whole sweet potatoes by the pound at a farmers' market. But for diced sweet potatoes, the farmer must sell and deliver the raw product to a processor, who then sells it in the diced form to a distributor, who in turn sells it to foodservice buyers.

In the second supply chain, the farmer, processor and distributor are all looking to make a profit, while in the first supply chain, only the farmer is trying to turn a profit. Thus, it is important when creating value-added supply chains to be aware of the position of the farmer relative to the larger, and often more powerful, processors and distributors.

Extending the season with vegetable blends

In 2012, Fifth Season Cooperative began working with staff at the Center for Integrated Agricultural Systems at UW-Madison on a project funded by a Specialty Crop Block Grant (Wisconsin's *Harvest Medley: Healthy Blends for Wisconsin Schools*) to develop and promote locally grown, root vegetable blends for schools across Wisconsin. The goals included creating two frozen vegetable blends that utilize cosmetically imperfect seconds for sale to schools and other institutions. Distribution was to be conducted through Reinhart Food Service.

Some 40,000 pounds of each of these blends were processed in November



2013 and sold to institutional buyers, many of which were schools, from December 2013-March 2014. The root vegetable blends were created using 90 percent cosmetically imperfect seconds. The products were a success for the co-op.

Diane Chapeta, operations manager of Fifth Season Cooperative,

three, skin-on potato varieties, all of which are seconds from Coloma Farms in Coloma, Wis. The Winter Moon Blend contains carrots, butternut squash, gold potatoes and red and golden beets.

The beets and butternut squash were sourced through co-op member

After the recipe trials, Fifth Season Cooperative approached Sno Pac Foods and contracted for the first product runs. Sno Pac Foods is a family-owned business that uses an IQF (Individual Quick Frozen) freezing process for certified organic, frozen vegetables. Sno Pac, like many mid- to large-size

Producer-members of Fifth Season Co-op have negotiating power and the ability to receive fair pricing due to a model in which producers sit at the same table as the processors, distributors and buyers.

successfully led this project by working with existing co-op member farmers, processors, distributors and institutional buyers. She previously served as the school nutrition director for Chilton Public Schools in Wisconsin, where she increased breakfast and lunch program participation and founded and managed the Northeast Wisconsin Farm to School Initiative.

Chapeta's experience as a school nutrition director made it easy for her to understand the position of schools and their unique concerns. Her experience helped her develop two successful blends of minimally processed produce seconds and create recipes that other schools could use in preparing and serving them.

Starting from scratch, Chapeta developed the two vegetable blends, testing different combinations of potatoes, beets, turnips, squash, carrots and parsnips. The trial batches were created at a small, shared-use incubator kitchen (Sharing Spaces Kitchen) in Prairie du Chien, Wis., paving the way for that kitchen to delve into frozen processing of local vegetables.

After trials and taste tests were completed in two schools, the blends were approved for production and the Wisconsin Potato Fusion and Winter Moon Blend became a reality. The Wisconsin Potato Fusion consists of

Organic Valley/CROPP Cooperative. Coloma Farms provided the gold potatoes, and Sno Pac Foods in Caledonia, Minn., provided the carrots for the Winter Moon Blend.

Organic Valley Cooperative has been working since 1988 to offer sustainable markets to family-sized organic farms. It is a farmer-owned cooperative and currently involves 140 produce farmers in the Driftless area of Wisconsin. For Organic Valley, a family farm is defined as one where the family members provide the primary workforce and the farm is their livelihood.

Organic Valley aggregates crops from farmers to provide large volumes of product to the Fifth Season Cooperative.

Cooperation among co-ops

For many years, Organic Valley has been looking for markets for produce considered cosmetically imperfect, such as butternut squash with scarring on the skin. Fifth Season Co-op provided Organic Valley with a new market for these products by using them in the value-added frozen vegetable blends. This cooperative relationship exemplifies Cooperative Principle No. 6: Cooperation among cooperatives, and shows the power of cooperatives working together to achieve mutually beneficial goals.

processors, requires minimum product runs to ensure profitable operations. In this case, a 40,000-pound minimum of raw product is the smallest viable run for the facility.

However, the co-op needed proof of the viability of sales for the two 40,000-pound-minimum runs. An online pre-order system was set up to quantify demand for the product. Fifth Seasons' unique multi-stakeholder structure encourages checks and balances across the supply chain, thus the pre-order process was the obvious next step.

The chief difficulty here was convincing school personnel to modify existing organizational habits. For example, school nutrition directors were familiar with existing supply chain relationships, the existing economic structures and the standard ordering system. The pre-ordering process was entirely unfamiliar to them, but it was needed by Fifth Season to prove that the demand for the products existed.

Once schools and other institutional buyers realized how convenient these locally grown and affordable products would be to order through Reinhart, they were eager to pre-order the frozen blends.

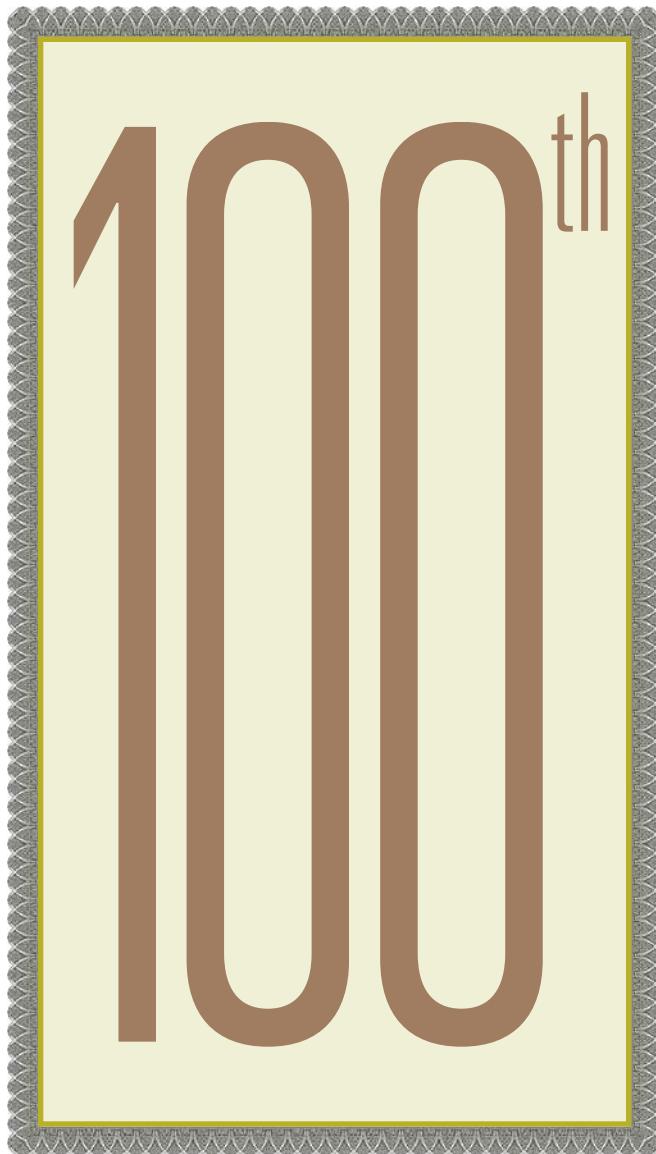
Because pre-orders exposed a high level of interest, the co-op moved forward with the processing of both

continued on page 45

The Long Run

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NUMBER OF AG CO-OPS CELEBRATING



ANNIVERSARIES
ON THE RISE

By E. Eldon Eversull,
Senior Agricultural Economist
USDA Cooperative Programs



For a cooperative — or any business, for that matter — to operate

for a century is an amazing accomplishment. Given the intense levels of competition in a capitalistic economy such as ours, only a small percentage of businesses reach their 100th birthday. But the number of cooperatives reaching the important “century milestone” is steadily increasing and currently stands at 134.

By comparison, Standard and Poor’s “Capital IQ” lists 488 publicly traded companies that are 100 years old, as of 2009. Vicki TenHaken, a professor at Hope College in Michigan, maintains a list of 540 U.S. firms more than 100 years old. There were nearly 5.7 million firms listed by the 2011 U.S. census. So, if there were even 1,000 companies that are 100 years old, that would be only about two one-hundredths percent (0.02 percent) of all U.S. firms. It thus appears that the longevity of so many agricultural cooperatives is something of an anomaly in the business world.

Starting a cooperative 100 years ago required — as it still does today — the convergence of a committed group of producers who were willing to work together and pool resources to achieve a critical mission. This most often was to market, store and/or process their crops and livestock or to attain quality farm production supplies and related services at a reasonable cost.



Forbes Equity Union, Forbes, N.D. - Equity Dept.



Clockwise from upper left: Horsepower still prevailed for milk deliveries during the early days of the Nelson Creamery Co-op in Minnesota; a vintage ad for Dairylea milk (now part of DFA); employees of Forbes Equity Union gather in Forbes, N.D.; nice wheels: an Elmdale Creamery (Minnesota) co-op delivery truck; board members of Fruit Growers Supply in California tour forest land the co-op purchased to supply wood for crates; on the citrus packing line at Sunkist in California; celebrating the first delivery of phosphate fertilizer from a Wisconsin plant at Aurora Cooperative in Nebraska. Photos courtesy pictured cooperatives.





Staying in business for 100 years requires that a co-op:

- Offers members quality products or services;
- Has members who are committed to doing business with the co-op and who participate in its democratic governance by voting in elections and by serving on the board and co-op committees;
- Hires skilled management to run the business and has knowledgeable directors to govern the co-op;
- Is committed to delivering superior customer service;
- Operates with a strategic business plan based on present and future needs and goals;
- Has a viable leadership succession plan in place;
- Has a solid financial plan that includes sufficient investments in the future of the co-op and its facilities while returning fair levels of equity to members;
- Hires skilled, motivated employees and rewards them with competitive pay and benefits;
- Is an active supporter of the communities where it does business and where its members and employees live and work.

While there are also many other factors that have an impact on the longevity of a co-op, one over-riding factor is this: to remain in business for 100 years, a co-op needs to evolve with changing

clientele tastes and preferences and adapt to new challenges.

As part of its annual survey of U.S. farmer, rancher and fishery cooperatives, the

Cooperative Programs of USDA Rural Development in 1999 asked what year a co-op had been organized in. About 33 percent of the 3,466 co-ops surveyed that year responded to the

question. Based on that data, the largest number of cooperatives in USDA's database (205 cooperatives) that are still in operation were organized between 1931 and 1940 (figure 1).

Table 1 — U.S. Century Cooperatives, by state, type, and date organized

Cooperative name, city, and state	Type	Organized
Sunkist Growers Inc., Sherman Oaks, CA	Fruit and vegetable	1893
Fillmore-Piru Citrus Association, Piru, CA	Fruit and vegetable	1897
Fruit Growers Supply Company, Sherman Oaks, CA	Supply	1907
Blue Diamond Growers, Sacramento, CA	Nut	1910
Butte County Rice Growers Association, Richvale, CA	Supply	1914
Agfinity, Inc., Eaton, CO	Supply	1905
Haines City Citrus Growers Association, Haines City, FL	Fruit and vegetable	1909
Lake Region Packing Association, Tavares, FL	Supply	1909
Winter Haven Citrus Growers Association, Dundee, FL	Fruit and vegetable	1909
Waverly Growers Cooperative, Waverly, FL	Fruit and vegetable	1914
First Cooperative Association, Cherokee, IA	Grain and oilseed	1887
Calhoun Cooperative Creamery Company, Lansing, IA	Dairy	1896
Farmers Lumber Company, Rock Valley, IA	Supply	1904
River Valley Cooperative, Eldridge, IA	Grain and oilseed	1906
Cooperative Elevator Association, Ocheyedan, IA	Grain and oilseed	1906
Archer Cooperative Grain Company, Archer, IA	Grain and oilseed	1907
North Central Cooperative, Clarion, IA	Grain and oilseed	1907
Farmers Coop Elevator Company, Kingsley, IA	Grain and oilseed	1907
Farmers Cooperative Society, Sioux Center, IA	Grain and oilseed	1907
Hull Cooperative Association, Hull, IA	Supply	1908
Farmers Cooperative Company, Remsen, IA	Grain and oilseed	1910
Farmers Cooperative Company, Hinton, IA	Supply	1912
Pacific Northwest Farmers Cooperative, Inc., Genesee, ID	Grain and oilseed	1909
Goodwine Cooperative Grain Company, Goodwine, IL	Grain and oilseed	1889
Stanford Grain Company, Stanford, IL	Grain and oilseed	1895
Farmers' Grain & Coal Company, Mason City, IL	Grain and oilseed	1899
Grainland Cooperative, Eureka, IL	Grain and oilseed	1903
Graymont Cooperative Association, Graymont, IL	Grain and oilseed	1903
Ludlow Cooperative Elevator Company, Ludlow, IL	Grain and oilseed	1904
Danvers Farmers Elevator Company, Danvers, IL	Grain and oilseed	1904
Earlville Farmers Cooperative Elevator Co., Earlville, IL	Grain and oilseed	1905
Minier Cooperative Grain Company, Minier, IL	Grain and oilseed	1907
Cissna Park Cooperative Inc., Cissna Park, IL	Grain and oilseed	1908
Donovan Farmers Co-operative Elevator, Inc., Donovan, IL	Grain and oilseed	1908
Northern Partners Cooperative, Mendota, IL	Grain and oilseed	1908
Chapin Farmers Elevator Company, Chapin, IL	Grain and oilseed	1908
Burtonview Cooperative, Lincoln, IL	Grain and oilseed	1909
Milledgeville Farmers Elevator Company, Milledgeville, IL	Grain and oilseed	1911



There were also waves of ag co-op formations in other decades, with many of those co-ops still in business today. Of the ag co-ops formed from 1911 to 1920, 123 remain in business; of ag co-

ops formed from 1921-1930, 171 are still in business; of ag co-ops formed from 1941 to 1950, 177 are still serving members.

USDA Cooperative Programs' list of

cooperatives has evolved over time as new co-ops are launched, go out of business or combine with other cooperatives or investor-owned firms. Comparing the 1999 database with the

current one reveals that 49 cooperatives that provided their organization date in USDA's 1999 survey are no longer on the list, due either to merger, consolidation or business failure.

Looking at the entire 1999 co-op list, however, we can see many more changes; 1,191 other cooperatives are no longer in the 2013 database, due to the same three reasons listed above.

Cooperative name, city, and state

Tremont Cooperative Grain Company, Tremont, IL
Kasbeer Farmers Elevator Company Cooperative, Kasbeer, IL
McNabb Grain Company Inc., Mc Nabb, IL
Andres & Wilton Farmers Grain & Supply Co., Peotone, IL
Rees Farmers Elevator, Franklin, IL
Ag Plus Inc., South Whitley, IN
Delphos Cooperative Association, Delphos, KS
Southern Plains Coop, Lewis, KS
Golden Belt Cooperative Association Inc., Ellis, KS
Midway Co-op Association, Osborne, KS
Central Plains Co-op, Smith Center, KS
Offerle Co-op Grain & Supply Company, Offerle, KS
Farmway Co-op Inc., Beloit, KS
Farmers Cooperative Elevator Company, Nickerson, KS
Farmers Union Mercantile & Shipping Association, Stockton, KS
Minneola Coop, Inc., Minneola, KS
Saint Francis Mercantile Equity Exchange, Saint Francis, KS
Fowler Equity Exchange, Fowler, KS
Beardsley Equity Co-op Association, Inc., Atwood, KS
Thornwell Warehouse Association, Lake Arthur, LA
Hardwick Farmers Cooperative Exchange, Hardwick, MA
Farmers Cooperative Grain Company, Kinde, MI
Rock Dell Cooperative Creamery Company, Byron, MN
River Region Cooperative, Sleepy Eye, MN
Dassel Cooperative Dairy Association, Dassel, MN
Nelson Creamery Association, Nelson, MN
Nelson & Albin Co-op Mercantile Association, Saint James, MN
Nassau Farmers Elevator Company, Nassau, MN
Plainview Milk Products Cooperative, Plainview, MN
Elba Cooperative Creamery Association, Elba, MN
Farmers Cooperative Elevator Company, Rushford, MN
Harvest Land Cooperative, Morgan, MN
Rose Cooperative Creamery Association, Eagle Bend, MN
Farmers Cooperative Ag Service, Greenbush, MN
Farmers Elevator Company, Pelican Rapids, MN
Meadowland Farmers Cooperative, Lamberton, MN
Rothsay Farmers Cooperative, Rothsay, MN
Wheaton-Dumont Cooperative Elevator, Wheaton, MN

Organized

Grain and oilseed	1911
Grain and oilseed	1912
Grain and oilseed	1913
Grain and oilseed	1913
Grain and oilseed	1913
Grain and oilseed	1912
Supply	1901
Grain and oilseed	1902
Grain and oilseed	1903
Grain and oilseed	1908
Grain and oilseed	1908
Grain and oilseed	1910
Supply	1911
Supply	1911
Grain and oilseed	1911
Grain and oilseed	1912
Grain and oilseed	1913
Grain and oilseed	1914
Grain and oilseed	1914
Supply	1913
Supply	1914
Supply	1914
Dairy	1889
Grain and oilseed	1890
Supply	1894
Dairy	1894
Supply	1894
Grain and oilseed	1899
Dairy	1899
Dairy	1902
Supply	1903
Grain and oilseed	1904
Supply	1905
Supply	1905
Supply	1905
Grain and oilseed	1905
Grain and oilseed	1905
Grain and oilseed	1905

“Century Co-ops”

Century Cooperatives in USDA's database are comprised of co-ops that were started between 1887 and 1914. The vast majority (77 percent) of these 134 cooperatives were started between 1905 and 1914. From a historical perspective, consider that the majority of these cooperatives were formed just after the Wright brother's first powered air flight and before World War 1.

These 100-year-old cooperatives first catered to farmers, ranchers and fishermen whose main form of transportation was via horse and sailboat. Co-op product lines and services evolved from those horse- and mule-powered days through the industrialization of farming and the changeover to tractor-powered farming; these co-ops then evolved again to embrace the technology revolution, with more

Table continued on page 22

Table 1 — *continued*

Cooperative name, city, and state	Type	Organized
Valley Creamery Association, Garfield, MN	Dairy	1905
Hadley Farmers Elevator, Hadley, MN	Grain and oilseed	1906
Swanville Cooperative Creamery Association, Swanville, MN	Dairy	1907
Fosston Cooperative Association, Fosston, MN	Supply	1907
Bongards Creameries, Bongards, MN	Dairy	1908
Elm Dale Creamery Association, Bowlus, MN	Dairy	1908
Farmers Cooperative Creamery Association, Goodridge, MN	Supply	1908
Farmers Cooperative Creamery, Foreston, MN	Dairy	1908
Farmers Elevator of Fergus Falls, Fergus Falls, MN	Grain and oilseed	1909
FCA Co-op, Jackson, MN	Grain and oilseed	1909
Osakis Creamery Association, Osakis, MN	Dairy	1909
Kragnes Farmers Elevator Company, Glyndon, MN	Grain and oilseed	1911
Co-op Service Inc. of New York Mills, New York Mills, MN	Supply	1911
Farmers Cooperative Elevator Company, Hanley Falls, MN	Grain and oilseed	1912
Newfolden Cooperative Elevator Association, Newfolden, MN	Grain and oilseed	1912
Lakes Area Cooperative, Perham, MN	Dairy	1912
Equity Elevator & Trading Company, Wood Lake, MN	Grain and oilseed	1912
Hastings Cooperative Creamery Company, Hastings, MN	Dairy	1913
Sobieski Cooperative Creamery Association, Little Falls, MN	Dairy	1913
Farmers Cooperative Company, Windsor, MO	Supply	1914
MFA Incorporated, Columbia, MO	Supply	1914
Edinburg Farmers Elevator Company, Edinburg, ND	Grain and oilseed	1909
Brocket Equity Elevator Company, Brocket, ND	Grain and oilseed	1911
Max Farmers Elevator, Max, ND	Grain and oilseed	1911
Forbes Equity Exchange, Forbes, ND	Grain and oilseed	1913
Scranton Equity Exchange, Scranton, ND	Grain and oilseed	1914
Farmers Cooperative, Dorchester, NE	Grain and oilseed	1903
Farmers Cooperative Association, Eustis, NE	Grain and oilseed	1903
Cooperative Producers, Inc., Hastings, NE	Grain and oilseed	1906
Aurora Cooperative Elevator Company, Aurora, NE	Grain and oilseed	1908
Farmers Cooperative Company, Tallmadge, NE	Grain and oilseed	1914
Landisville Produce Cooperative Association Inc., Landisville, NJ	Fruit and vegetable	1913
Jewell Grain Company, Jewell, OH	Grain and oilseed	1911
Gerald Grain Center Inc., Napoleon, OH	Grain and oilseed	1912
Farmers Elevator Grain & Supply Association, New Bavaria, OH	Grain and oilseed	1912
The Hicksville Grain Company, Hicksville, OH	Grain and oilseed	1914
Carrier Mill and Elevator Company, Carrier, OK	Grain and oilseed	1907
Farmers Exchange of Goltry, Goltry, OK	Grain and oilseed	1913
Tillamook County Creamery Association, Tillamook, OR	Dairy	1909
Diamond Fruit Growers Inc., Odell, OR	Fruit and vegetable	1913
Lawrence County Co-op Wool Growers Association, Pulaski, PA	Wool	1891
Clark County Farmers Elevator, Clark, SD	Grain and oilseed	1904
Menns Lumber Company, Menns, SD	Supply	1905
Colton Farmers Elevator, Colton, SD	Grain and oilseed	1910
Fulton Farmers Elevator Company, Fulton, SD	Grain and oilseed	1912
AgFirst Farmers Cooperative, Brookings, SD	Grain and oilseed	1913
Farmers Cooperative Elevator Company, Rosholt, SD	Grain and oilseed	1914
Rule Co-op Gin & Elevator Company, Rule, TX	Cotton ginning	1913
Blue Star Growers Inc., Cashmere, WA	Fruit and vegetable	1907
Davenport Union Warehouse Company, Davenport, WA	Grain and oilseed	1909
Odessa Union Warehouse Cooperative, Odessa, WA	Grain and oilseed	1909
Blue Bird Inc., Peshastin, WA	Fruit	1913
Westby Cooperative Creamery, Westby, WI	Dairy	1903
Garden Valley Cooperative, Waumandee, WI	Supply	1904
Ellsworth Cooperative Creamery, Ellsworth, WI	Dairy	1910
Medford Cooperative Inc., Medford, WI	Supply	1911

producers increasingly using Global Positioning System (GPS) gear to guide their seed and fertilizer applications and who track market trends and threatening weather fronts with their smart phones.

Century Cooperatives are still fairly rare, accounting for about 6 percent of USDA's entire list of ag cooperatives. Four types of cooperatives make up over 97 percent of all Century Cooperatives. Grain/oilseed and farm supply cooperatives comprise more than 78 percent of the Century Cooperatives; they comprise 62 percent of the list of all ag co-ops. Dairy cooperatives make up about 13 percent of Century Co-ops, while fruit and vegetable cooperatives comprise 7 percent.

By state, the nation's 134 oldest cooperatives are most likely to be located in Minnesota (35), Illinois (20) or Iowa and Kansas (both with 13).

An old business adage is: "you have to grow to survive." But growth is not an all-determining factor for Century Cooperatives. Fourteen percent of these cooperatives have less than \$5 million in sales (Figure 2). Eight percent have from \$500 million to more than a \$1 billion in sales. But the largest group of Century Cooperatives has from \$25 million to less than \$50 million in sales (19 percent, or 26 cooperatives).

The Century List

All 134 Century Cooperatives were asked for their agreement to be listed in Table 1. (USDA gathers



The growing list of ag co-ops that have been in business for at least 100 years includes, from left: the Alta Grain Co-op in Iowa, now called First Cooperative Assoc.; Westby Cooperative Creamery in Wisconsin and Sun Maid Raisins in California. Photos courtesy pictured co-ops

co-op data on condition that it be used only for composite numbers for all co-ops or co-op sectors; we do not reveal survey data about a specific co-op unless the co-op provides its permission — as occurs with our annual Top 100 Co-op list each fall).

Two of the Century

Cooperatives chose not to be included on table 1 (more information on these Century Cooperatives can be found in the Directory of Rural-Farmer, Rancher, and Fishery Cooperatives on our website, www.rurdev.usda.gov/BCP_Coop_DirectoryAndData.html).

In the next six years, this list will almost certainly double, as it appears likely that 125 more cooperatives will be added to it, although some will doubtless “fall from the ranks” due to mergers, acquisitions and business failures.

Author’s note: If your

cooperative should have been included, or would like to be included on this list in the future, please e-mail the author with your basic co-op information at: eldon.eversull@wdc.usda.gov, and/or at coopinfo@wdc.usda.gov. Please include the year your co-op was formally organized. ■

Figure 1 — U.S. cooperatives that are still in operation, organizational dates

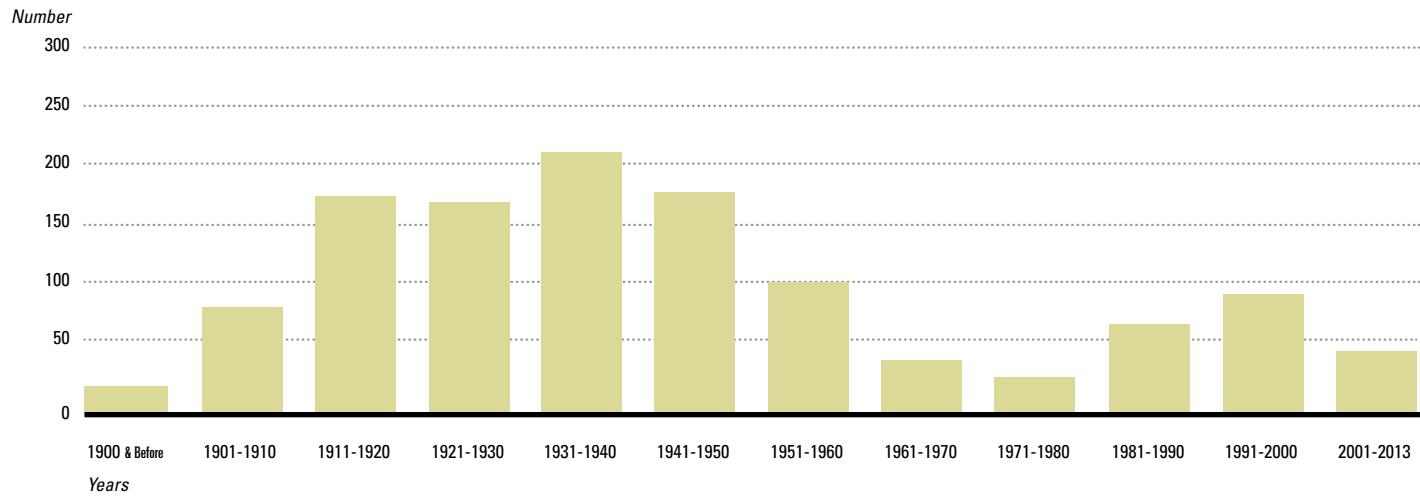
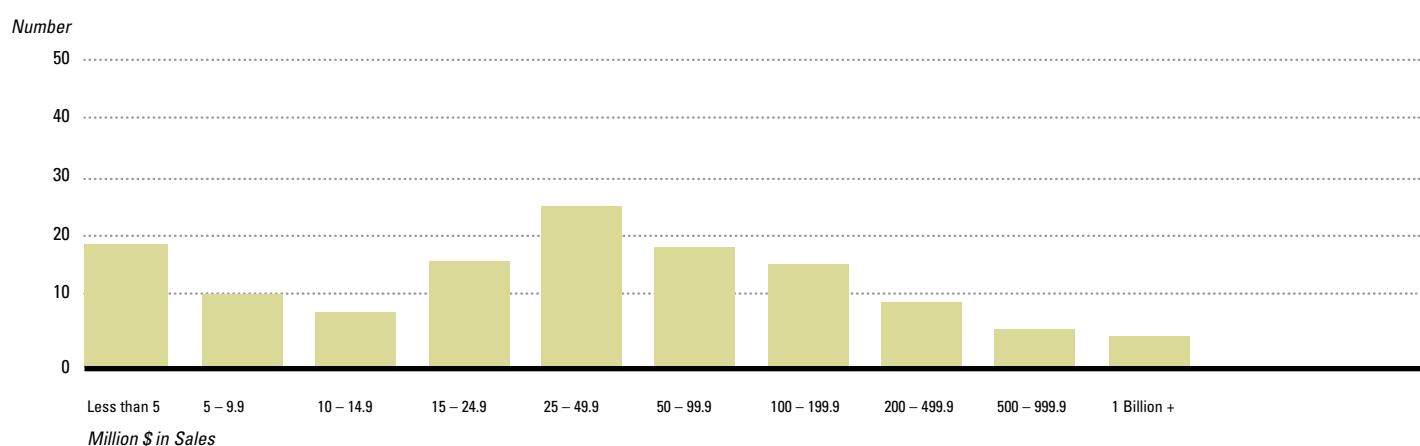
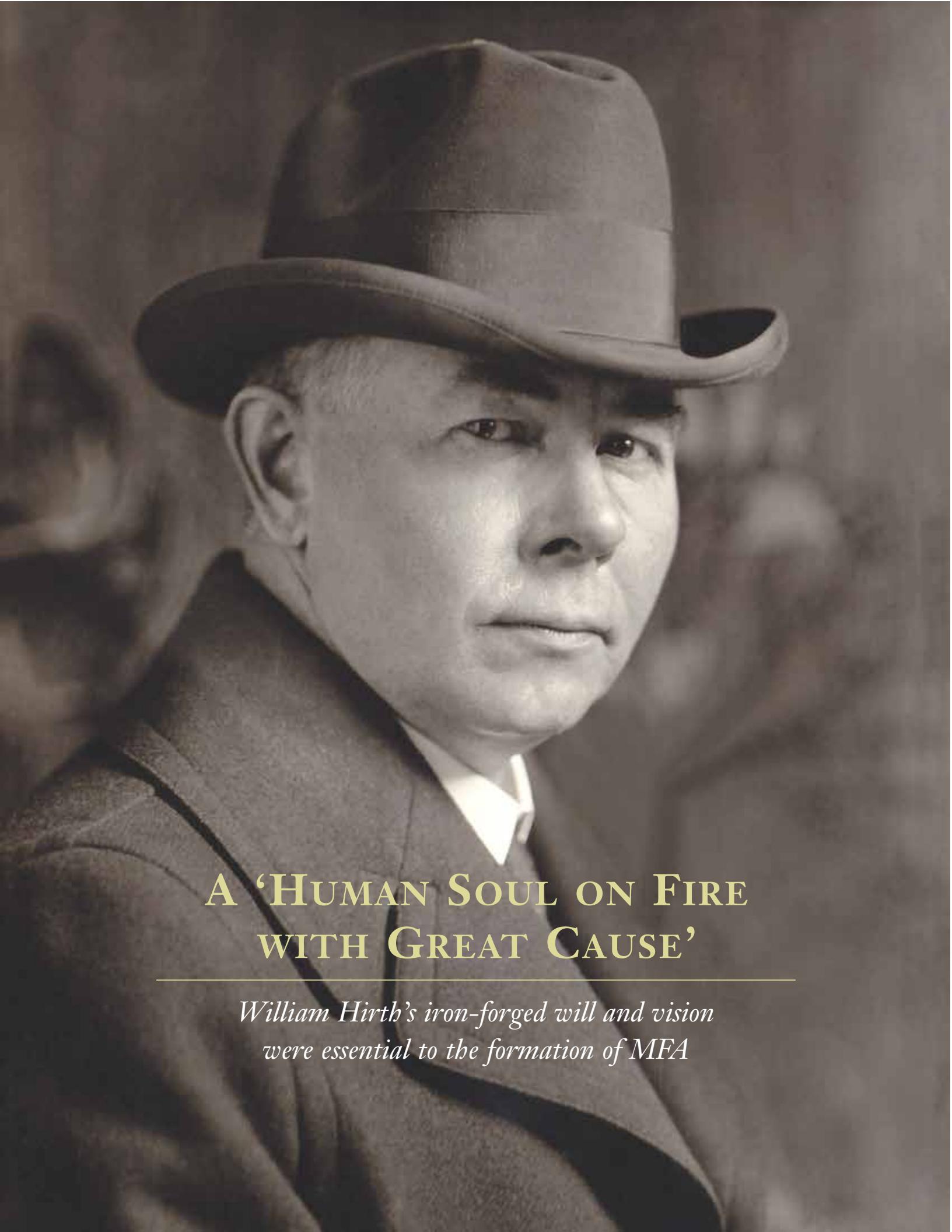


Figure 2 — U.S. Century Cooperatives, number by sales size





A ‘HUMAN SOUL ON FIRE WITH GREAT CAUSE’

*William Hirth’s iron-forged will and vision
were essential to the formation of MFA*



In the century since the MFA Inc. cooperative was formed, much about agriculture has changed. Those 100 years represent great technological progress. That timespan has literally brought us from horse power to computer-driven machines and satellites as common tools. Even with such technological advances, the initial reasons for forming MFA remain as the underpinning for the business today.

MFA Incorporated is a regional farm supply and grain marketing cooperative serving 45,000 members. MFA has about \$1.5 billion in annual sales.

When farmers joined to start MFA, they did so because they needed a presence in the market — both in buying and selling. They needed ways to finance their operations. They needed bargaining power.

MFA remains, as it began, a conduit to help farmers succeed.

*William Hirth is considered the founder of MFA and was a major player in the cooperative movement in the United States. The following article about Hirth is excerpted from a new book, *Proud Past, Bright Future: MFA's First 100 Years*. Written by Chuck Lay, the book recounts stories of MFA's leadership, its business ventures and the failures and successes that have shaped this business.*

By Chuck Lay

Director of Communications
MFA Incorporated

Hirth the organizer

William Hirth burned brightly. A first-class orator, a genius of organization and a national political leader, Hirth bent the world to his will. It was a capacity that brought him acolytes as well as critics, both in his time and since. Alternately, he was vilified as domineering, utterly without humility and bellicose by his critics, especially those in academia.

Yet to his supporters, Hirth — the farm boy who rose from obscurity on a Rush Hill farm in central Missouri to become a national farm leader who dined with presidents and senators — was a dynamo of leadership, a man obsessed with changing the lives of

farmers for the better. Hirth's vision? The creation of the farm organization which became MFA — a battle he refused to lose.

Hirth created the Missouri Farmers Association, one of the 20th century's most successful and dynamic cooperatives and one still thriving in the 21st century. Seven farmers from the Newcomer Schoolhouse Farm Club near Brunswick, Mo., are rightly praised as the genesis of the organization. But make no mistake, they followed the template Hirth forged. Hirth wrought that template (even to the extent of conceiving the famous shield logo himself) through passion, persuasion, skill and no small amount of luck.

Born March 23, 1875, Hirth was raised on the family farm in Audrain County, Mo. His experience of the soul-dampening drudgery of 1800s farm

life was acquired firsthand. He left college after several years, nearly penniless, to sell insurance. He prospered. By 1900, he and his new wife, Lillian Vincent, moved to Columbia, Mo., where he read law and was admitted to the bar.

In 1906, he purchased the *Columbia Statesman* newspaper. But agriculture continued to hold his interest. By 1908, he realized his dream of developing a statewide agricultural publication when he purchased *The Missouri Farmer and Breeder*, now *Today's Farmer*. The first issue was published Oct. 15, 1908. In February 1912, he shortened the name to *The Missouri Farmer*.

By 1914, *The Missouri Farmer*, widely popular in state agricultural circles, was the official publication for the Missouri Farm Management Association, the Missouri Cattle Feeders Association,

the Missouri Corn Growers Association, the Missouri Draft Horse Breeders Association, the Missouri Dairy Association and the Missouri Sheep Breeders Association. Hirth owned the tabloid magazine until his death in 1940.

The Missouri Farmer provided Hirth with a platform to evangelize. Print was king. The first commercial radio broadcast was eight years in the future. Telephones were nonexistent. Electricity was enjoyed only by select urban elite.

The Missouri Farmer hit a rural nerve and drew instant response. Hirth's passion was organization, which he saw as key to improving farm life. Hirth preached organized cooperation repeatedly in its pages. Aaron Bachtel, a farmer and stockman just north of Brunswick, was a subscriber who took Hirth's ideas seriously.

"In the February 1914 issue," Bachtel said, "there was a short article wherein it stated that farmers should organize into school district Farm Clubs and how they could be benefited by such organizations. It looked so simple and at the same time so far reaching, that it appealed to me very forcibly."

Bachtel wrote Hirth, asking for a bundle of the papers to distribute to his neighbors. He asked those same neighbors to meet at the Newcomer Schoolhouse the following Tuesday night.

A prominent farmer, Bachtel lent his name and reputation to the cause. He asked his neighbors to unite in the purchase of farm supplies and inputs. By seizing the initiative, Bachtel overcame local doubt and skepticism to convince others that Hirth's idea to organize farmers around a cooperative concept was sound. The group pooled an order for 1,150 pounds of penitentiary binder twine and sent it to Hirth in Columbia. The Newcomer Schoolhouse Farm Club volume buy netted the men \$400 in savings.

That Newcomer Schoolhouse Farm Club order, the first Hirth received, counted as the creation of the Missouri



The farm club idea swept the countryside, according to historians, like a prairie fire.

MFA awarded the Home Guard Medal to members of the Women's Progressive Farmers Assoc. for enlisting new members and organizing clubs.

Farmers Association. It marked the beginning of what grew into a cooperative devoted to pooling orders and distributing accumulated savings.

The farm club idea swept the countryside, according to historians, like a prairie fire. Subsequent to that first order, Hirth contracted with the West Virginia Coal Co. at a set price for coal. Bachtel and his neighbors were on board.

Soon after the order, coal prices jumped, but the fledgling MFA had a contract at the cheaper price. Bachtel received several carloads and proceeded to instruct area farmers in the value of the farm clubs. More members quickly flocked to the club. Throughout the state, the scene was repeated, time and again.

1,000 MFA farm clubs formed

For perspective on the "prairie-fire" metaphor, consider: within five years, about 1,000 MFA farm clubs were created, representing every corner of the state. Just over 10 years later, Hirth could announce the existence of hundreds of exchanges, elevators, central produce plants, creameries, livestock shipping associations, livestock commission companies, a grain commission company, a purchasing department and produce sales agencies. All told, these fledgling creations dedicating themselves to MFA were generating gross sales of more than

\$100 million.

Bachtel would serve as president of MFA's first farm club and become the first farmer to sign MFA's unique, but doomed to fail, producer contract. Bachtel would log 20 years of distinguished service on MFA's corporate board of directors.

Through the pages of *The Missouri Farmer*, Hirth chronicled farmer efforts and savings of farm clubs, urging continued development of more clubs where farmers could organize and socialize in much the same way town businesspeople joined business, political and benevolent organizations. Self-interest, said Hirth, should be a natural draw for historically independent farmers.

Yet organizing often isolated farm families was a steep hill. Hirth, nevertheless, was wildly successful in convincing farmers of the benefits of cooperation, due in main to the force of his personality and his frenetic, but strategic, schedule.

Farm clubs structured meetings, printed songbooks, formed a women's auxiliary organization (Women's Progressive Farmers Association or WPFA in 1921) and scheduled debates. Hundreds of clubs held debates every two weeks, organized fishing trips, held parades several miles long and hosted barbecues. The spirit of a camp revival was in the air.

At those meetings, Hirth encouraged farmers to spread the gospel, noting that although many farmers were uncomfortable in the speaker's role, it was a mission worth the effort. True oratory, he intoned, was not faultless diction or learned phrases. True oratory "is a human soul on fire with a great cause."

Hirth leverages farmers' new power

Demonstrating the effectiveness of the power of centralized buying, offers poured in from flour mills, Ford and Dodge motor companies, tire manufacturers, seed merchants and new animal health businesses like Anchor Serum Company of St. Joseph.

In 1919, Hirth listed the farm club accomplishments to date. Farm clubs, he wrote, have: (1) placed members in position to buy farm needs at lowest wholesale price; (2) financed and taken over 60 local elevators with plans for 150 before 1920; (3) been first to introduce a Livestock Shipping Association in Missouri; (4) financed a flour mill costing \$300,000; (5) secured regulation changes regarding the handling of meat under the Food Administration; (6) met with J. Ogden Armour as the first organized effort to work out a solution to packing interest; and (7) organized farmers to influence legislation.

By way of explanation of those accomplishments, Hirth, with the executive committee and the full board of directors of the nascent MFA, had lobbied newspaper editors and lawmakers for passage of an agricultural cooperative law allowing patronage refunds and streamlining cooperative practices. They also fought for and won government standardization of weights and measures for business scales that had been a bit haphazard before.

MFA sponsored a legislative dinner in Jefferson City to explain farmers' intentions in building self-help cooperatives. MFA's corporate board sponsored the law and saw to its passage by the newly lobbied legislature in 1919.

Just a year before, Hirth, never one to think small, took a group of official MFA representatives to Washington, D.C., to meet with the Agricultural Committee of the Senate to explain MFA's position on a federal cattle and hog feeder program. In each case, Hirth was upfront on intentions. MFA would be known for putting cards on the table frankly, in full view. No subterfuge for the new MFA.

Hirth the politician

MFA needed more than organizing; it required political capital, both state and national. Hirth was uniquely suited for that job. By the mid-1920s, he was a member of the executive committee of the American Council of Agriculture,

representing MFA. More importantly, on the national scene in 1925, the Corn Belt Committee was organized with a membership drawing together the largest group of influential farm leaders in the country.

The Corn Belt Committee represented 24 farm groups, including Farm Bureau, Farmers Unions, the Equity, the Grange and multiple Corn Growers Association groups, as well as many others. The group's purpose was to speak on agricultural legislation as one, make agriculture's positions known to legislators and the public and pronounce "upon all matters concerning agriculture."

Hirth was selected president of the newly formed Corn Belt Committee and retained that position for several years. In his capacity as chairman, Hirth helped make agriculture a national concern. His speeches and activities also attracted the attention of national leaders, including one who would soon be mulling a presidential bid — Franklin Delano Roosevelt, then governor of New York.

Hirth held that national attention until his death. And with good cause. Because of his national leadership efforts and accomplishments, Hirth's name would be formally submitted unanimously by the entire Missouri delegation — Democrats and Republicans — to President Calvin Coolidge for the position of secretary of agriculture. Hirth demurred, asking that his name be withdrawn.

Road builder

But Hirth's focus was not simply national. Missouri had plenty of obstacles for farmers trying to grow and move products. Country roads were impossible for large chunks of the year making it difficult if not impossible to deliver farm products to towns and MFA markets.

Solution? Hirth jumped with both feet into initiating legislation authorizing farm-to-market roads and personally lobbied political leaders and newspaper editorial boards. Through his highly influential *The Missouri*

Farmer, he chronicled his efforts and urged the membership to lobby alongside.

"Many times during recent years, the farmers of North Missouri were hardly able to bury their loved ones because of bad roads," intoned Hirth in a speech at the MFA convention, "while their children are forced to wade ankle deep through mud in going back and forth to school, and so bad roads often keep our few remaining rural churches closed for weeks at a time."

He convinced the organization and its board to get behind legislation pulling farmers out of the mud.

Road legislation soon passed at the state level. In the long term, the legislation failed to achieve all Hirth demanded because of what Hirth described as a politically controlled Highway Administration. *The Missouri Farmer*, he said in 1928, "is unalterably opposed to any more bond issues for cross-state highways until something substantial has been done for the neglected dirt roads."

Hirth carried on his farm-to-market road campaign until his death in 1940. His successor would deliver Hirth's promised improvements.

One more revelatory anecdote about Hirth: After delivering testimony to the Senate Agriculture Committee in 1940, Hirth turned on his heel and stalked out of the room. U.S. Secretary of Agriculture Henry Wallace, who had attended, chased after Hirth, finally catching him in the Senate corridor. "Mr. Hirth," he is reported to have said, "Mr. Hirth," he repeated when Hirth stopped and turned to face Wallace. "You didn't give that committee some of the facts." Hirth scrunched down his eyebrows, scowled at the U.S. Secretary of Agriculture and said, "Facts? That committee didn't need facts. They needed their minds changed."

In his many years of leadership with MFA, it is safe to say Hirth changed a great many minds, both in Washington and on farms all across the nation, about cooperatives and how they could contribute to the success of their farmer-members. ■

Co-ops & Community

Coming Home — Skills learned in the military often transfer to the rural workforce

By Lisa Moorhouse

Editor's note: This article is reprinted from "C" magazine, the member publication of CHS Inc., where Moorhouse is a member of the communications staff. CHS Inc. is just one of the many co-ops nationally that provide good jobs for America's Armed Forces veterans after they leave the service. The "Co-ops & Community" page spotlights co-op efforts that fulfill the mission of commitment to community. If you know of a co-op, a co-op member or co-op employee whose efforts deserve to be recognized on this page, please contact: dan.campbell@wdc.usda.gov.



In 2003, Army combat engineer Mike Tangen found himself in the Kuwait desert training for Operation Enduring Freedom. When the "go" signal came, in the form of 36 overhead artillery shots, the troops and Apache helicopters headed out in long convoys across the Iraq border.

"The convoy moved so slowly," Tangen recalls. "I felt like we were hundreds of miles from the border and just crawling. There were some nerve-wracking parts, especially when we went through a narrow pass where there was supposed to be an ambush."

Although there was a firefight, they made it to the border relatively untouched. They punched through sand berms surrounding the country and advanced on Baghdad.

Tangen's job in the U.S. Army focused on designing battlefields. His skills didn't seem likely to transfer to a career back home in central Minnesota. After returning to the United States in 2003, he purchased a small herd of



Mike Tangen

cattle and later went to work for an area farmer, spending much of his time as a long-haul trucker. With a young family, though, he was ready to have more time at home.

"I came in as the new guy, but not an unknown guy," he says about joining the agronomy team at CHS Prairie Lakes in Starbuck, Minn. He works in the location's energy department and

delivers propane.

"There's a real sense of teamwork and camaraderie here that is very similar to my military experience. I work with guys from different backgrounds, but we're all focused on getting the job done, even if that is delivering propane at 3 a.m.," he says.

Soldier support

Transitioning back to civilian life isn't easy. Just ask Colonel Allan Lanceta, central region director for U.S. Army Soldier for Life, which helps reintegrate veterans into civilian life.

Lanceta is on a dual mission: to help military veterans find meaningful employment and to build understanding of the value of hiring veterans.

"Military personnel bring special skill sets to the workplace. Loyalty, dedication, duty and respect are ingrained in our soldiers," says Lanceta. Each year, about 234,000 soldiers end their service with the U.S. Army, Air Force, Coast Guard, Marine Corps and Navy. In the next 10 years, more than 1 million soldiers will transition from the Army.

One focus of Soldier for Life is ensuring that soldiers leaving the Army have a job waiting.

"It can be a challenge to translate military experience into civilian terms. That can make it hard to find a job, even when the skill set might be a perfect match. We're helping soldiers outline skills in non-military terms," says Lanceta, who recommends Hero to Hired (H2H.jobs) for transitioning military personnel. It offers career exploration tools, military-to-civilian skills translation, and education and training resources.

"We're also working with companies to help them understand what individuals with military experience bring to the workplace," adds Lanceta. CHS is one of those companies.

"We look at the ability of individuals with military backgrounds to solve problems and work in stressful situations. We look at how those military values align with CHS values,

and we see a good fit for CHS and the cooperative system," says Cate Sprout, talent acquisition manager.

"By focusing on helping military personnel translate the characteristics and the skills gained in the military into civilian language, we can help our soldiers and companies understand how military roles translate to the workforce," Lanceta says.

Valuable Experience

Ken Paulson has always been fascinated by how things work. Growing up, he worked alongside his dad, who owned a body and mechanics shop. He applied that interest in a six-year tour in the Navy as part of the nuclear power program.

"I had two years of schooling before going out to the ship. It was rigorous right from the start," says Paulson. Of 84 people in his basic training company, 42 were designated for the nuclear power program. From those 42, only Paulson and three others completed the program.

He describes his responsibilities on

the nuclear-powered aircraft carrier as a combination plant operator, chemist and radiological controls technician.

Paulson was deployed to the Persian Gulf for six months, providing support to ensure safe travel of seagoing vessels and conducting training exercises with other U.S. military branches and allied forces.

After six years in the Navy, he used the GI Bill to earn a degree in chemical engineering from Montana State University.

Today he's a process engineer at the CHS Laurel, Mont., refinery, where he works on control systems and automation, ensuring electronics work correctly.

"The military is process oriented. What you do affects 6,000 people in the middle of the ocean. That gives you the mindset and framework to build a process and complete a task," Paulson says.

He adds that hiring veterans brings real-world, real-work experience to the workplace.

To view a video with Mike Tangen, visit: www.chsinc.com/c/. ■

Putting skills to work

The pressure tanks and semi tractors lined up outside the CHS Transportation shop in Minot, N.D., would be dwarfed by the B52 bombers and other support equipment Ben Tudor maintained during his 22 years in the U.S. Air Force.

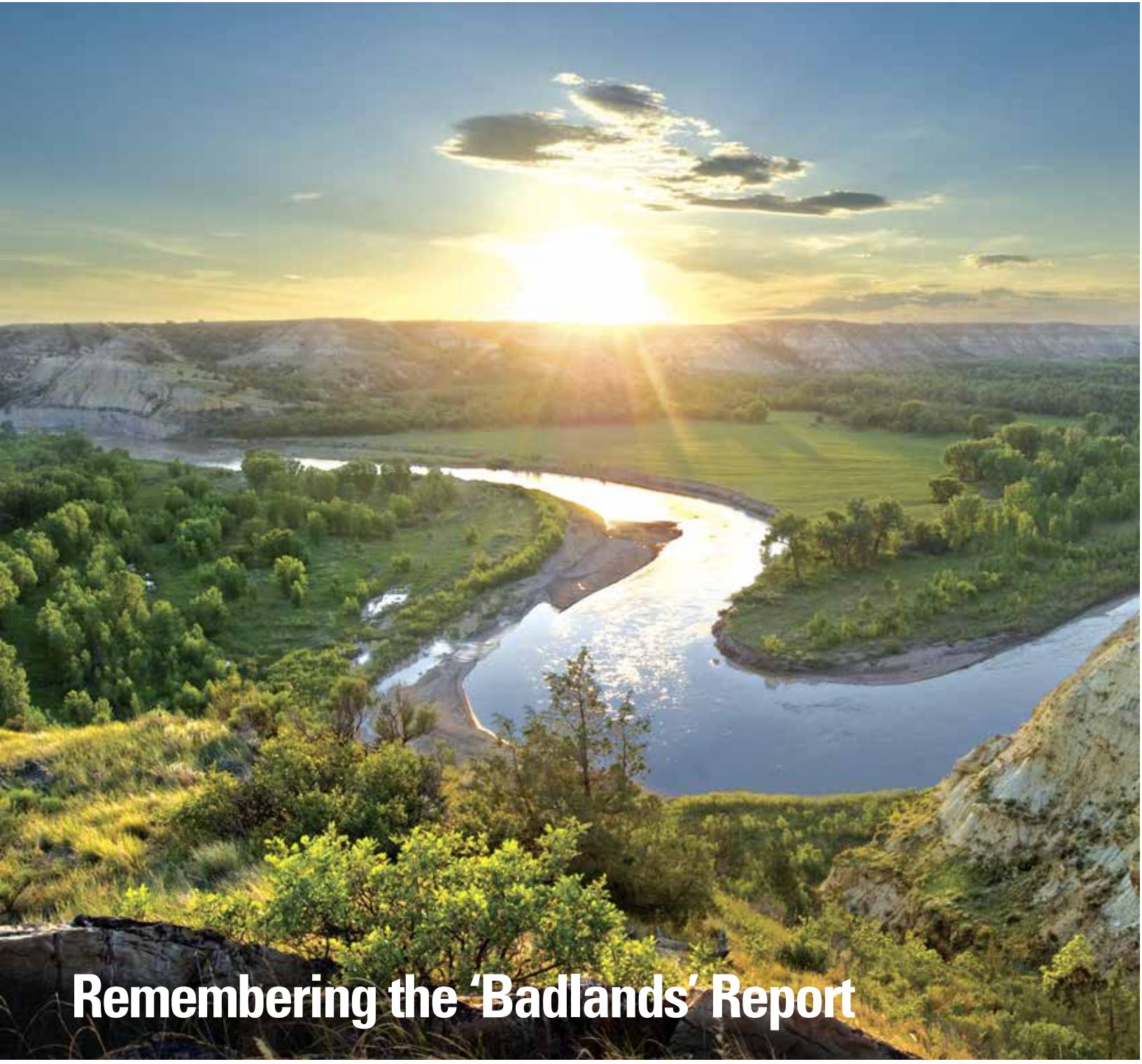
"Our job was to keep planes in the air. Our unit was very technical," says Tudor. Over his military career, he worked his way up to serving as a training manager and later a deployment manager for his squadron, where he oversaw 400 Air Force personnel.

When Tudor retired last year, he chose to stay near Minot. "Most guys I know who are retiring out of the military are looking for stability and opportunities to grow," says Tudor,

who saw the opportunity with CHS Transportation to get back to his roots and "wrench on equipment."

"There's a lot of predictability in what you do in the military, but there are also a lot of challenges and opportunities. We were always looking for ways to improve processes and approach problems differently. That carries over to any job," says Tudor.

During his military career, Tudor spent one year in Korea and completed three four-month tours in Saudi Arabia. "After more than 20 years, you take a lot from your military experience. Seeing how people in other countries live changes your perspective." ■



Remembering the 'Badlands' Report

By Bill Patrie, Executive Director
Common Enterprise Development
Corporation, Mandan, N.D.
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We met at a bed and breakfast in the Badlands of North Dakota. This was Teddy Roosevelt country, not far from his former ranch site. It is rough country where the summer months are often hot and very dry. Our subject was cooperative development: where was it headed after the decade of the 1990s and "co-op fever" which had swept through Minnesota and North Dakota, with some spin off in South Dakota as well.

Although it was 13 years ago, I still remember the feelings engendered as we sought to understand what was coming for those of us who make a living starting cooperatives. In reflection, we were somewhat prophetic. I



President Teddy Roosevelt said the Badlands of North Dakota “restored his soul.” The remarkable landscape also helped inspire a group of co-op “thinkers” in 2001, when they gathered to discuss some of the major questions about co-op development. Photo courtesy North Dakota Tourism Office

don’t know if all prophets suggest that bad things are about to happen if ways aren’t changed — but we certainly felt that way. And some of those bad things did happen.

We thought that the industrial age would give way to the information age, but it looks like we now have both. And agriculture is both getting bigger as a response to the industrial age, and getting way smaller as a response to the information age.

In 2001, we thought the environmental ethic would become a much more powerful force than it is in 2014. The Badlands of North Dakota have the Bakken and Three Forks oil formation under them. The fault lines between conservation and oil production are now clearly drawn.

We thought leadership would emerge in the cooperative community that would take us cooperators to a better place. Perhaps the change we were looking for was us — and that didn’t turn out exactly the way we had hoped either. The inability of leaders to “see over the horizon” turned out to be as bad as we thought, and we still long for those folks who can tell us the location of the cooperative promised land.

Perhaps we need to listen to new voices who are describing the “cooperative economy” from Jackson, Miss., and the voice of the cooperative movement’s favorite prophet, Gar Alperovitz, who answers the question “what then must we do?”

Teddy Roosevelt said that the Badlands restored his soul, and I have found that same beneficial effect for myself. There is something so big and empty about this place that it minimizes personal problems. It is a good place to go to think about big subjects, and I think it contributed to the insights that were shared in 2001.

I hope this reflection on a 13-year-old report can be a stimulus to new thinking for those of us who care deeply about the cooperative movement. How do we get together again and answer Gar’s question?

Thoughts About Co-ops in North America

Preamble

As individuals who work with, study or write about cooperatives, we report our thinking about cooperative enterprises in North America. We met for two days in the Badlands of North Dakota. While we make no claims to unique insights, we did want to share our reflections and discussions about

the issues that impact cooperatives. We hope you find our thoughts useful. *Lori Capouch, Susan Davis, Lee Egerstrom, Wally Goulet, Roger Herman, Julie Hogeland, Audrey Malan, William Nelson, Steve Noack, Bill Patrie and Judy Ziewacz*

Disclaimer

This report reflects a spectrum of

thoughts from developers, teachers, researchers, government officials, media, lawyers and cooperative employees. None of the ideas presented here should be attributed to any individual. We are presenting statements in this report without the requirement of unanimous agreement. These thoughts reflect an emphasis on

rural or agriculturally based existing traditional cooperatives and new generation cooperatives, because of the background familiarity of the participants.

This report follows the sequence of the actual dialog that occurred, starting with opening lamentations and ending with consoling realities and reasons for hope.

We lamented

1. Complete vertical integration is too hard and often fails. Starting a new generation cooperative — one that is completely vertically integrated from the production of the commodity to the final sale of the finished product — is very hard. Most of these startups are not successful. Very few cooperatives can master all of these essential steps. Achieving competent management and adequate capitalization seems overwhelming.

2. Some existing cooperatives seem interested in serving themselves first. Existing cooperatives seem to turn a deaf ear to new cooperatives, appearing to be interested in achieving what is good for the cooperative, rather than what is good for the members.

3. Existing cooperatives are focused on getting through the day (no long views). Cooperative leaders don't have the luxury of thinking about the long-term destination of the movement. Visionary leaders have died or retired, visionary institutions have merged or consolidated, member services positions have been eliminated to save money and cooperatives are focused on getting through the day.

4. Losing track of our members. We realized that we no longer really know our members. We don't know who they are or what they want.

5. We have become reactionary rather than creative. Instead of looking for opportunities, we are fighting off enemies, trying to defend our territories and markets instead of looking for new ways to provide



This meeting room, with its panoramic view of the Badlands near Medora, N.D., is where the brain storming sessions occurred for the Badlands Report. Photo courtesy Eagle Ridge Lodge. Opposite page: Hiking in the Badlands. Photo courtesy North Dakota Tourism Office

meaningful benefits to existing and new members.

6. Losing track of social capital. One of the assets important to cooperatives is social capital. We defined social capital as a community- or society-held common understanding, favorable attitude and/or commitment to cooperation and cooperative organizations. We noted that cooperatives once meant something to our communities. We were new and exciting, and we were mainstays in the community. We built good will and we acted differently than our competitors. We don't have a place on our balance sheets for social capital, but we feel as if we are losing it. The loss of social capital is reflected in decreasing employee commitment, member loyalty and community affection. We know it has real value to a business cooperative, we are unsure about how to build and account for it. (See end note (a) for more sources of information on social capital.)

7. Our member benefits have become obscure. The reasons to join our cooperatives used to be clear and the benefits transparent. Now they are hard to see. Phone service or electrons are often purchased only on price; so, too, with the selling of grain or the buying of inputs — it's who has the best deal. No one worries what the cost would be if the cooperative were not there. The existence of the cooperative

is taken for granted. "What have you done for me lately?" is often asked.

8. Members are not meeting their responsibilities. Without a crisis or extreme door prizes, members don't seem interested in their civic and democratic responsibilities. Management expects less, and less commitment from members, and members respond with less and less participation. Don't ask for much from the members; they will just as likely patronize a competitor. They for sure won't sacrifice for the cooperative. Have cooperatives become latent democracies?

9. Speculators, price takers and builders. Some new generation cooperatives are experiencing speculators who buy shares but never intend to produce the product. They rely on the cooperative to purchase commodities on their behalf through a "pool." The value of their investment is only measured in dividends paid since that most directly influences share value. Other members only care about the price they receive at delivery, trying to force the cooperative to pay higher and higher prices without consideration for maintaining operating margins.

The third category are those members who raise quality products and deliver them to the cooperative for processing and understand that the true value that will be paid to them is what the cooperative can sell the finished product for after deducting the operating costs. These members will "build the business" by investing and wait until final operating margins are known before demanding dividend payments. If either the price takers or the speculators gain operating control of the cooperative, it may become impossible to manage and may fail. (See end note (b) for more discussion on this subject.)

10. Too small a cadre of principal advisors. Cooperatives have looked for advice primarily from agricultural economists. While this advice is needed and useful, it has not been adequate to

fully utilize the social, spiritual and psychological value of cooperation.

11. Aging of members and

leaders. We're mourning the loss of visionary co-op leaders. Once the founders of great cooperatives sacrificed and struggled to provide services and start the enterprises. Now some

swiftness of foot and our ability to connect with our members in deeply meaningful ways.

14. We try to define ourselves as something separate — as the fourth sector after government, nonprofit and private business. Our difference is not in our organizational structure, but



members have become parasitical, believing that the cooperative is a good place to get "perks" if you become a director. Instead of seeking the office to lead and "carpe diem" (seize the day), some members seek to become directors to "carpe per diem" (seize the benefits).

12. The world paints all cooperatives with the same brush.

There is a vast difference in cooperatives and their operating strategies. There are important differences between economic sectors. All cooperatives are not the same, yet negative images seem to catch many good cooperatives in the same net as the bad ones.

13. Cooperatives too often seek to fight with their competitors'

weapons. We are often asked to fight our competitors with their weapons — such as economies of scale and size, and requiring more and more benefits at lower and lower prices. Uncomfortable in this new armor, we have lost our

in how we behave. We cooperate, and we can do that as government, or as a nonprofit, or as any one of the business forms available in North America.

Being legally organized as a cooperative does not ensure our uniqueness. We want to examine, instead, how the organization behaves — does it cooperate?

15. We are not diverse.

Homogenous boards encourage easy consensus, but they do not create the high-bred vigor of diverse thought and input. Our organizations are not self-challenging, bring narrow perspectives and are not using the strength of diverse membership.

16. Agency theory problems seem to overwhelm us. We all agreed that cooperatives are "agents" for their

members and are designed to provide benefits to those who "patronize" the cooperative. However, numerous problems continue to plague this form of business organization. They include:

- "Free riders" who have not made the

sacrifice or the investment continue to get the benefit of cooperative enterprises.

- Horizon problems startle us when the new generation cannot appreciate the sacrifice of the founding generation and will leave the cooperative for little or no reason.

- Portfolio problems, such as trying to manage hog operations and dairy operations at the same time, over-burden leadership and management, leading to complaints among the membership.

- Control by members is lost as the cooperative becomes so large and so distant that members no longer know what the cooperative is or why they should care.

- Decision-making takes place by directors and managers who are unevenly influenced by members. All members and all directors are not the same — some members' and some directors' opinions matter more than others do, usually because they do large volumes of business with the cooperative. Do you really want to lose your largest buyer? (See end note (c) for more information on agency theory problems.)

Consoling realities and some reasons for hope

We began to enjoy these lamentations. We had reasons to feel miserable and unappreciated. Our great leaders had died or retired, our favorite cooperatives are operating as uninspired imitations of competitors and we had difficulty in naming CEOs who met our definition of heroes. Even though we enjoyed this self-pity, participants began to call us back to a more positive and accurate vision of reality and created reasons for hope. We did not attempt to answer our lamentations on a point-by-point basis. We agreed that future meetings could more thoroughly build antidotes to the problems we identified. But we knew that the reality was not as dark as the picture we had just painted. Those consoling realities included:

1. **New leaders:** Our old leaders are

being replaced, not by well-known names, but by skilled and visionary leaders, nonetheless. While having humble beginnings, these leaders have fought and won many battles. While not yet ready for the highest levels of leadership, they truly understand their own skills. They will volunteer to lead.

2. Learned lessons: We understood that we now have a new resource to call upon. Some in the group called it maturity, others preferred to call it wisdom. We have unique knowledge and experience. We now need to capture that wisdom and translate it into our daily work. We need to not only teach others how successful new generation cooperatives got started, but also the lessons they have learned as operating companies. These cooperatives have operating history and can be asked, "What would you do differently?"

3. The new economy values

cooperation: We understood that the new economy values cooperation. Authentic concern for humankind once again provides cooperatives the opportunity to make a meaningful difference in the lives of our members.

4. Seeing the forest and the trees: We understood that we are capable of holding long-range views about the future of cooperatives and managing to get through the day, at the same time. We could cite examples of such cooperatives.

5. Knowing the force of change: We realized that the transition from the old industrial economy to the new information-based economy creates forces that will buffet us as human beings. The desire to stay the same collides with the demand for change, and we personally feel the turbulence. Knowing that there will be turbulence helps prepare for it.

6. Electronic communication: A wonderful characteristic of the new economy and the information age is the ability to communicate electronically and understand consumer preference in new ways. We can get closer to our

members and customers, and we can know them better because of this technology.

7. The courage to break ranks:

Agriculture, we decided, is much like a column of soldiers marching left/right, left/right on a weakened bridge. When all the weight of the column hits at the same time, it will collapse the bridge. The wise leader orders, "Break ranks!" Agriculture needs to break ranks. Farmers can't just keep pounding out commodities in lock step. The lock step production of commodities is collapsing the system. Farmers and ranchers can break ranks, but it takes intelligence to do so without going broke. The information age now allows us to gather and apply that intelligence prior to leaping into new ventures.

8. The new model: Uniformity, conformity and standardization are parts of the mechanical process of the industrial age. Many cooperatives still use these operating strategies. Some cooperatives are trying to gain operating efficiencies by mergers. Most cooperatives are trying to reduce costs and standardize. While many of these tactics may be appropriate for institutional survival, they may not be adequate to build the organizations we desire.

The new economy and the information age acknowledge that humans have always been biological creatures. The biological model of human behavior encourages diversity and specialization instead of machine-like standardization. As it is in agriculture, organizational diversity in cooperatives is a strength. While the grip of the old way is strong, the pull of the new economy toward a new model is a reason for hope.

9. Surviving the transition: Individuals working for cooperative organizations need to be aware of the powerful influence of the industrial age. Few organizations can instantly transition to the information age. North America is not completely in the new economy. Organizations going

through these changes experience internal anxieties. Within cooperative organizations, well-meaning and forward-looking individuals can be wrongly perceived as a threat under these circumstances. We have reason to hope because we can understand this type of organizational behavior and can usually avoid negative consequences.

10. Faith in the future: Even though many cooperative institutions are struggling with the change from the industrial age to the new economy, they are moving. The direction of that movement is toward more responsive, diversified and meaningful organizations. Cooperatives have the ability to break ranks more easily than other forms of business ventures. Many existing cooperatives were formed because traditional systems failed to provide the desired benefits.

Designing new cooperatives, forging new alliances and redesigning existing cooperatives are all possible in the positive view of the future commonly held by cooperators. Much has already been done, and though the road will be difficult, it is a journey well worth taking. It is a reason for hope.

A one-time report

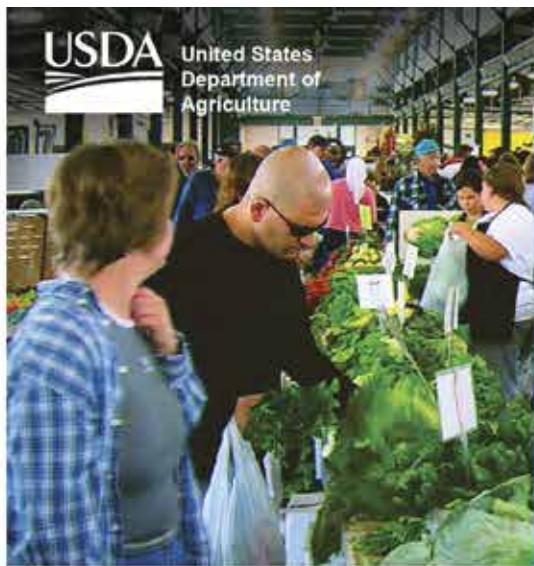
We left the meeting without any formal plans to meet again. We were generally satisfied that for these several days we were able to reflect on issues at greater depth than possible in our professional lives. Individuals in the group expressed willingness to participate in similar discussions in the future. ■

End notes

- See *Measuring Social Capital in Five Communities in NSW* by Paul Bullen and Jenny Onyx at: <http://www.mapl.com.au/A2.htm>.
- See *A Cooperative Approach to Local Economic Development*, edited by Christopher D. Merrett and Norman Walzer, published by Quorum Books 2001, Chapter 11.
- *New Generation Cooperatives in the New Millennium* by Doeke Faber and Lee Egerstrom (What NGC's Cannot Do and False Hopes and Expectations) Pages 179, 180, 181.
- *Ibid* (Agency Theory Problems) Pages 178 and 179.



United States
Department of
Agriculture



Your guide to the new Farm Bill Local and Regional Food Systems

Below is a quick summary of changes to USDA local and regional food programs made under the new Farm Bill, enacted on February 7, 2014. To get started with USDA's local and regional food programs, visit www.usda.gov/knowyourfarmer to find resources and tools.

The laws governing some programs expire and must be reauthorized by Congress to extend the programs' lifespan. In addition to reauthorizations, the Farm Bill also includes funding for some programs, but most are funded through separate appropriations by Congress.

USDA Programs		The New Farm Bill
Producer Tools	Value-Added Producer Grant Program	Provides \$63 million over the life of the bill and targets small and midsized farms, beginning and socially-disadvantaged producers, and veterans.
	Microloan Program	Continues microloan program targeted to smaller producers with streamlined application process.
	Beginning Farmer and Rancher Development Program	Restores and expands funding to \$100 million to train beginning farmers and ranchers, many of whom market their products locally.
	Business & Industry Guaranteed Loans	Continues a 5% set-aside of funds for local and regional food projects.
	Community Facilities Loans and Grants	Continues support for infrastructure in rural communities under 20,000 people, including community kitchens, farmers markets, food banks and other local food projects.
	Farmers Market and Local Food Promotion Program	Expands the popular Farmers Market Promotion Program to include supply chain initiatives such as food hubs; boosts funding to \$30 million a year.
	Specialty Crop Block Grants	Increases funding to \$72.5 million per year through 2017 and \$85 million per year thereafter.
	Food Insecurity Nutrition Incentives Program	Launches \$100 million program to help low-income consumers purchase fruits and vegetables, including locally grown produce, by providing incentives at the point of purchase.
Marketing and Promotion	Healthy Food Financing Initiative	Provides new authority for USDA to develop program; authorizes but does not appropriate \$125 million in funds.
	Community Food Projects	Funding increases to \$9 million in FY2015 and each year thereafter.
Healthy Food Access		

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Two co-ops share wind energy honors

The National Rural Electric Cooperative Assoc. (NRECA) and U.S. Department of Energy have awarded top honors for wind energy production to Old Dominion Electric Cooperative of Virginia (ODEC) and the Rural Electric Convenience Cooperative of Illinois (RECC).

The cooperatives were recognized March 6 as the 2013 Wind Cooperatives of the Year at the TechAdvantage 2014 Conference and Expo in Nashville, Tenn. Co-op executives said they appreciated the honor for outstanding leadership in advancing U.S. wind power and acknowledged what the award means for wind energy going forward.

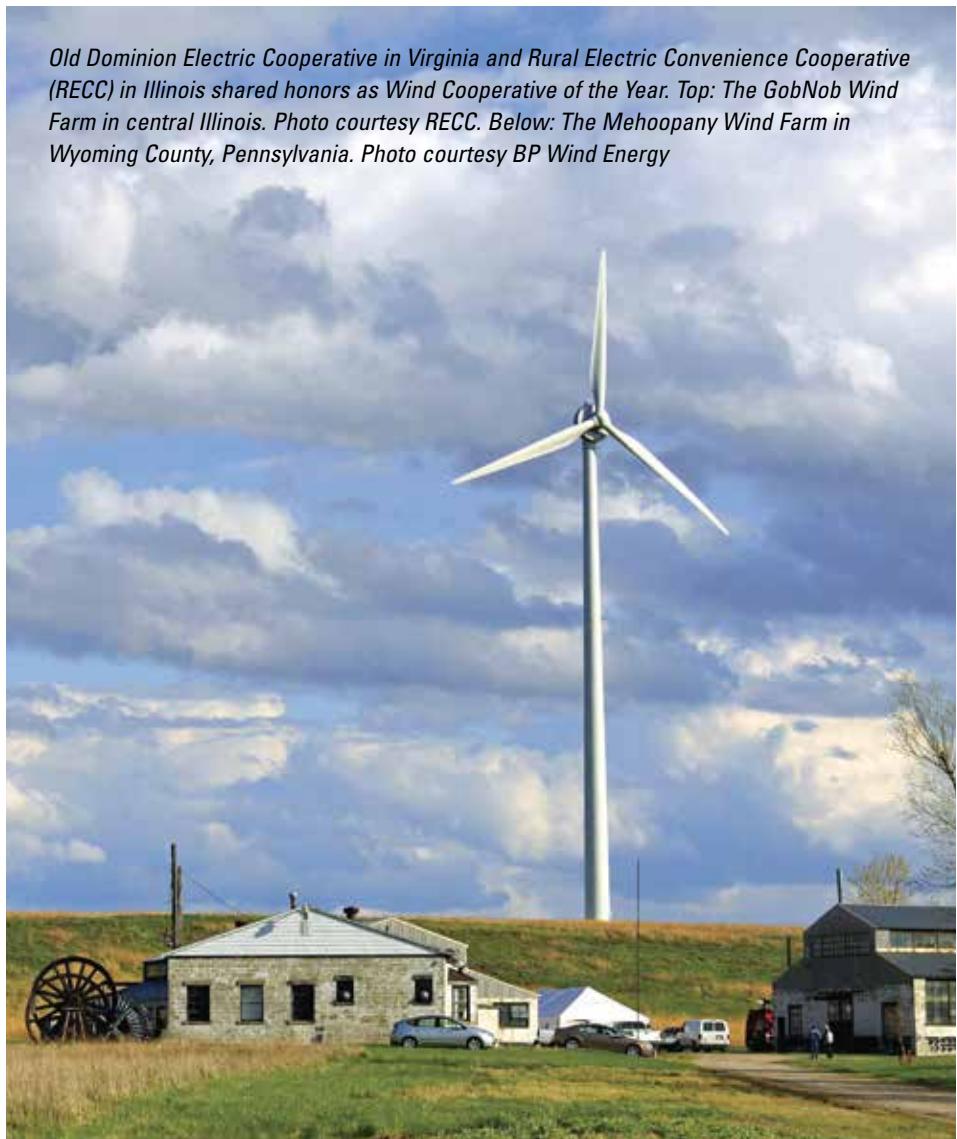
RECC worked with the Illinois Department of Natural Resources to install the utility-scale wind turbine on an elevated section of an abandoned mine to capture a large amount of wind to serve its 5,800 member-consumers. ODEC, a wholesale power supply co-op, has added more than 260 megawatts of capacity to its renewable resource portfolio since 2008 to serve its 11 member distribution co-ops.

A panel of judges from the wind industry, utilities, government, national laboratories and cooperatives picked the two co-ops based on their corporate leadership, project innovation, and benefits to customers.

AMPI reports \$1.8 billion in sales

Associated Milk Producers Inc. (AMPI) had sales of \$1.8 billion and earnings of \$7.5 million in 2013, it was

Old Dominion Electric Cooperative in Virginia and Rural Electric Convenience Cooperative (RECC) in Illinois shared honors as Wind Cooperative of the Year. Top: The GobNob Wind Farm in central Illinois. Photo courtesy RECC. Below: The Mehoopany Wind Farm in Wyoming County, Pennsylvania. Photo courtesy BP Wind Energy



USDA supports co-op development, small- and mid-sized farmers

Agriculture Secretary Tom Vilsack in late April announced that USDA will be providing additional support and resources for America's small and mid-sized farmers and ranchers and for co-op development. "Small and mid-sized producers are a vital part of America's agricultural future, and we are dedicated to ensuring their success," Vilsack said. "USDA is continually reviewing our resources, programs and policies to make sure we are working for producers of all sizes."

Efforts announced by Vilsack include:

- The Rural Cooperative Development Grant Program (RCDG) will make up to \$5.8 million available to Rural

funding through the Cooperative Programs office of USDA Rural Development helped 17,773 rural businesses, including 4,200 farmers and 4,472 small businesses. These investments created or saved more than 41,600 jobs. Under the 2014 Farm Bill, USDA will be creating an Interagency Working Group to improve coordination of programs and services between federal agencies and national and local cooperatives through the RCDG program.

- \$7 million in grants are being awarded to 10 universities to develop programs that will help small and medium-sized farmers grow their operations, enhance their production

assess the impact of economic changes to new and beginning farmers, and conduct outreach activities that may enhance small farmers' well-being.

- The Small, Socially Disadvantaged Producer Grant program (SSDPG) will make \$3 million available to provide technical assistance to small, socially disadvantaged agricultural producers through eligible cooperatives and cooperative development centers. Awardees will be able to conduct market research, product and/or service improvement, feasibility studies, and training, and implement business plans. Applications are being accepted through June 30, 2014. More information about how to apply is on the Rural Development website.

- USDA Certification for Small and Very Small Producers of grass-fed beef is a new verification program administered by USDA's Agricultural Marketing Service (AMS). It is tailored to meet the needs of small-scale livestock producers and the growing grass-fed beef industry. It allows small- and very small-scale producers to certify that their animals meet the requirements of the grass-fed marketing claim standard, helping them differentiate themselves and communicate value to their customers. AMS is targeting producers that market 49 cattle or less each year by designing a less costly application process for these producers to use the USDA Certified Grass-Fed claim. Producers who are certified under the new program will receive certificates that allow them to market cattle to slaughter facilities as USDA certified grass-fed, increasing their market value and creating new economic opportunities throughout the supply chain.

For more information on these programs, visit: www.usda.gov ■



USDA photo by Lance Cheung

Cooperative Development Centers (RCDCs), which, in turn, provide technical assistance focused on improving the economic condition of rural areas by supporting the start-up, expansion or operational improvement of rural cooperatives and other business entities. Cooperatives have often been the mechanism used by producers to work together to access new markets or market value added products.

- In 2013, business and cooperative

and become economically viable. These awards, made by USDA's National Institute of Food and Agriculture (NIFA) Agriculture and Food Research Initiative (AFRI) Small and Medium-Sized Farms program, focus on developing models to assist small farmers develop management strategies, adopt new technologies and improve their competitiveness. These awards prioritize strategies that enhance access to markets, develop local and regional food systems,

announced in Bloomington, Minn., during the annual meeting of the 2,600-member co-op. "Our manufacturing capacity and production flexibility made it possible for AMPI to reap the benefits of increased demand for our core product line — cheese, butter and powdered dairy products," AMPI President and CEO Ed Welch told some 400 members, employees and guests at the meeting. "Coupled with plant improvements, the cooperative's performance improved and the balance sheet was strengthened."

American-style cheese production of 400 million pounds in 2013 remains the cooperative's top product category. AMPI was also a Midwest leader in milk powder production. Products such as nonfat dry milk, whey protein concentrate and lactose were sold to domestic and global customers as demand for milk proteins increased worldwide.

Cheese and butter packaged for consumers at the cooperative's manufacturing plants grew once again. Cheese sales increased 7 percent, while butter sales rose for the eighth consecutive year, posting a 3 percent gain. Nearly 70 percent of AMPI's consumer-packaged business is sold to foodservice customers.

AMPI Board Chairman Steve Schlangen reviewed the steps taken in the past year to position the cooperative for strategic growth. "Through carefully considered moves made at every level of our cow-to-consumer business, we made great progress in 2013," he said. "This was done by focusing on a core product line and taking an active role in reforming dairy policy that provides meaningful options for reducing price risk."

Additional AMPI 2013 highlights include:

- 5.8 billion pounds of milk was marketed through 10 manufacturing plants;
- 2,600 AMPI dairy farmer-owners shared \$10 million in equity payments;
- Export markets accounted for 23 percent of AMPI powder sales, primarily to Mexico.

Southern States hails lifting of Chinese ban on Virginia poultry

China's decision to lift its seven-year ban on poultry imports from Virginia has the potential to create a \$20 million boost in poultry sales to the fast-growing Chinese market, according to Southern States Cooperative, Richmond, Va. The ban was prompted in 2007 by an isolated case of a mild strain of avian flu discovered at a single Shenandoah Valley farm. "No one expected the Chinese action to last as long as it has," the co-op said in recent announcement.

Poultry production is the single largest segment of agriculture in the commonwealth of Virginia, with 2013

exports topping \$186 million. Southern States has more than 3,000 Virginia poultry producer-members.

"We are gratified to see the end of this ban and the increased market potential China offers for our producers," says Turner Gravitt, Southern States' director of government affairs, adding that the co-op "greatly appreciates the efforts" of state government and federal officials to help end the ban.

Southern States is a farm supply and service cooperative, founded in 1923, which now has more than 200,000 farmer-members. ■



USDA photo by Lance Cheung

- A Parmesan cheese wheel produced at AMPI's Hoven, S.D., plant was named best Italian cheese entry at the 2013 National Milk Producers Federation Championship Cheese Contest.

Farmer Co-op Conference Nov. 6-7

The 2014 Farmer Cooperative Conference (FCC) will be held Nov. 6-7 in Minneapolis, Minn. The 17th annual FCC is being organized by the University of Wisconsin Center for Cooperatives to provide a forum for cooperative directors, managers and those doing business with agricultural cooperatives to address issues currently affecting the agricultural cooperative community.

This year's program will focus on economic trends, policy developments and what it will take to sustain and lead your cooperative into the future. For more information, contact: Anne Reynolds at: atreynol@wisc.edu

USDA investing \$78 million for local food enterprises

Agriculture Secretary Tom Vilsack announced May 8 that USDA is making a historic, \$78 million investment in local and regional food systems, including food hubs, farmers markets, aggregation and processing facilities, distribution services and other local food business enterprises.

"The 2014 Farm Bill has given USDA new tools, resources and authority to support the rural economy," Vilsack said. "Consumer demand for locally produced food is strong and growing, and farmers and ranchers are positioning their businesses to meet that demand. As this sector continues to mature, we see aggregation, processing, and distribution enterprises across the local food supply chain growing rapidly. These historic USDA investments in support of local food give farmers and ranchers more market opportunities, provide consumers with more choices and create jobs in both rural and urban communities."

Vilsack said that \$48 million in loan guarantees for local food projects is now available through the Business and Industry Guaranteed Loan Program, administered by USDA Rural Development. Another \$30 million is available through competitive grants from the Agricultural Marketing Service's (AMS) Farmers Market and Local Foods Promotion Program. The 2014 Farm Bill requires USDA to set aside at least 5 percent of Business and Industry (B&I) program loan guarantees for projects that focus on local food business enterprises. Details on how to apply for local food funding through the B&I program are available on the Rural Development website: www.rurdev.usda.gov.

Applications are accepted on a rolling basis. The B&I program has the authority to fund local food infrastructure in urban areas as long as the project supports farm and ranch income and expands healthy food access in underserved communities.

Rural Development's B&I program provides financial backing for rural business development in partnership with private-sector lenders. It is one of several USDA programs that help finance local foods projects. In 2013, Rural Development supported more than 170 local food infrastructure projects, including food hubs, scale-appropriate processing facilities, cold storage and distribution networks. Entities eligible for B&I loan guarantees include cooperatives, nonprofit organizations, corporations, partnerships or other legal entities, Indian tribes, public bodies or individuals.

The 2014 Farm Bill tripled funding for marketing and promotion support for local food enterprises by creating the Farmers Market and Local Foods Promotion Program, administered by the Agricultural Marketing Service. This new program makes \$30 million available annually to farmers markets, other direct producer-to-consumer venues, and other businesses in the local food supply chain. Under this program, \$15 million is now available for

marketing and promotional support specifically for local food businesses, including food hubs, delivery and aggregation businesses, and processing and storage facilities along the local food supply chain, while \$15 million is for marketing support for farmers markets and other direct to consumer outlets.

Since 2009, AMS, which administers this program, has provided \$27 million for nearly 450 projects to support direct marketing efforts for local food. More information about how to apply is available on the AMS website: www.AMS.usda.gov. Applications are due June 20, 2014.

CDF grant helps in typhoon recovery

The Cooperative Development Foundation's (CDF) board has approved a grant of \$20,000 to the International Cooperative Alliance (ICA) to be used to help co-ops and members recover from Typhoon Haiyan in the Philippines and Southeast Asia. The National Confederation of Cooperatives in the Philippines reported that at least 350,000 cooperative members had been affected by the typhoon.

Dame Pauline Green, president of the International Cooperative Alliance, issued an appeal for donations for co-op recovery in the Philippines. Robynn Shrader, CEO of the National Cooperative Grocers Association, asked that CDF accept donations made for this appeal and forward them to the ICA. "When tragedies like Haiyan occur, it is heartening to see the cooperative community come together and show the true spirit of our movement, which is that together we are stronger and more effective together than alone," said Shrader. "Recovery has been slow in the wake of Haiyan, and these monies will be a tremendous help in the re-building effort."

CDF's Co-op Disaster Recovery Fund helps co-ops and their members recover from disasters and promotes co-op enterprise in recovering areas. The

grant was made possible by a \$10,000 donation from the National Cooperative Grocers Association as well as contributions from food co-ops and cooperators around the country.

USDA supporting food hub development

USDA's Agricultural Marketing Service has entered into a cooperative agreement with FamilyFarmed.org to develop a national guide on "Building Successful Food Hubs." The announcement was made during the National Good Food Network's 2014 Food Hub Collaboration Conference in Raleigh, N.C.

The new national planning guide will include descriptions of key functions, best practices and proven strategies for food hubs — all based on successful models operating across the United States. The number of food hubs has risen by 65 percent since 2009, with more than 230 food hubs now operating around the country. On average, each food hub supports 20 jobs and generates nearly \$4 million in annual sales.

The nonprofit FamilyFarmed.org, based in Chicago, is committed to expanding the production, marketing and distribution of locally grown and responsibly produced food. The guide, "Building Successful Food Hubs," will be one of several valuable tools USDA has developed to help establish, enhance or expand food hubs.

"Food hubs are helping producers of all sizes grow, which in turn supports the economic health and well-being of rural communities," said conference speaker Doug O'Brien, acting under secretary for USDA Rural Development. "USDA is a proud supporter of food hubs because we know they help build stronger regional food systems."

O'Brien noted that USDA Rural Development provided support to more than 150 local food infrastructure projects in 2013, including food hubs, scale-appropriate processing facilities, cold storage and distribution networks. He said that USDA set new goals this

year to fund local food projects and help people in the local foods community work with and access USDA programs, such as USDA Rural Development's Value-Added Producer Grants, Business and Industry Loan Guarantees and Community Facilities Loans and Grants.

The conference brings together people and resources dedicated to supporting the diverse aspects of food hubs and regional food systems. With increasing demand for fresh, local foods, food hubs aggregate products from small and mid-size farms so that large-volume buyers, such as grocery stores, can buy local foods from family farms in the region.

Additional USDA research,



Food hubs, such Eastern Market in (Michigan above), should benefit from a new guide, "Building Successful Food Hubs," developed with support from USDA.

information and findings about food hubs is available at:
www.ams.usda.gov/foodhubs.

DFA sales hit \$12.8 billion

Dairy Farmers of America ended the year with strong operating results from its wholly owned commercial investments and increased earnings from affiliates. The cooperative's adjusted net income was \$61.3 million, while net sales reached \$12.8 billion for

2013, a 6 percent increase compared to 2012.

"At DFA, we're about making sure our members can farm successfully and profitably," says Rick Smith, president and chief executive officer. "In 2013, we had a successful year. Through strong operational performance and joint venture returns, we were able to execute on our strategic plan. We are also pleased with the improved margins for members."

In 2013, DFA directed the marketing of 60.6 billion pounds of milk for both members and others through its consolidated businesses and related affiliates. This represents about 30 percent of the total milk production in the United States. Payments to members for milk marketed were \$7.9 billion in 2013, compared to \$7.3 billion in 2012. This increase is primarily a result of the higher U.S. annual average all-milk price, which averaged \$20.01 per hundredweight.

Returns to members in 2013 totaled \$41.9 million, with \$23.3 million distributed from the cooperative's allocated patronage and \$18.6 million through DFA's various capital retirement programs.

DFA continued to grow its commercial investments in 2013. The Cooperative's Fluid Milk and Ice Cream Division acquired Frederick, Md.-based Dairy Maid Dairy — a processor of milk, juice and fruit drinks that markets to major grocery chains, schools, and governmental entities such as military installations.

The Ingredients Division also continued to expand, with a focus on export opportunities with global customers in strategic markets. DFA exported 222 million pounds of product in 2013, for a fourth consecutive year of record export sales.

In 2013, DFA broke ground on two new plants. On Sept. 20, ground-breaking was conducted in Linwood, N.Y., for a new cold-process milk separation plant. The plant, which is scheduled to be completed later in 2014, will produce cream and skim milk for a range of regional customers. A

second dairy ingredient plant is currently under construction in Cass City, Mich., which will produce high-quality condensed whole and skim milk and cream.

Earnings of affiliates were \$72.8 million in 2013 compared to \$57.6 million in 2012. Cash distributions from DFA affiliates totaled \$38 million in 2013 compared to \$36.4 million in 2012.

Dakota food co-op finds strong support

Leaders of the BisMan Community Food Co-op (BCFC), a start-up retail food cooperative in Bismarck, N.D., recently met with representatives from Basin Electric Cooperative to discuss how the organizations could support each other as cooperatives.

By the meeting's end, Basin Electric had agreed to contribute \$50 toward every membership purchased by a Basin Electric employee. That means a Basin employees could invest as a member-owner of BCFC for \$150 and Basin will contribute the rest. Since the program's launch in late February 2014, the BCFC has seen its membership soar from 350 to nearly 500 in early May. The initial goal was 600 members, increasing to 1,000 by the time the store is ready to open.

This strong early showing of support for the co-op proves that "the local food and cooperative movement is alive and well in North Dakota!" says co-op leader Heidi Demars.

Stakeholders from BCFC and Basin Electric discussed how the food co-op's board of directors, founding members, and volunteers are standing where other cooperative pioneers in North Dakota stood many years ago, when co-ops were the only way electricity could be brought to the countryside.

BCFC founding members are banding together to achieve access to healthier, fresher, local food and to support local farmers who make North Dakota their home, Demars notes. BCFC founding members want to be part of a strong local economy and to empower members to know where their

food comes from, and to support a democratically controlled business that is governed by its member-owners.



Heidi Demars waits to sign up another member for the BisMan Community Food Co-op, which is nearing the goal of 600 members needed to launch the co-op in Bismarck, N.D. The event here is an annual health fair sponsored by Basin Electric Cooperative, which is contributing to the membership fees paid by employees who join the food co-op. Photo courtesy Basin Electric

MMPA sales nearing \$1 billion

Michigan Milk Producers Assoc. (MMPA) had \$957 million in revenue for 2013, indicating that the co-op is "clearly on track to reach the \$1 billion mark for the first time," General Manager Clay Galarneau told delegates at the co-op's 98th annual meeting in March. It was the second consecutive year that MMPA's milk supply increased by nearly 5 percent, and Galarneau says he expects to see another 5-percent increase in milk volume for 2014.

Members are thus seeing a good return on the \$62 million invested in 2010 for a major expansion of MMPA's Ovid processing plant. "In the first four years of operation, this investment has realized over \$23.7 million, or a return of 15 cents per hundredweight for our members," he said.

Most of MMPA's increase milk volume is going to export markets, such as China and Mexico, where demand for infant formula ingredients has been growing rapidly. Last year, the co-op saw the export volume of nonfat powder increase by 427 percent from the 2012 level, representing 5.7 of its total production.

Transformative power of co-ops to be focus of ACE in Austin

Registrations are now being accepted for the 2014 ACE Institute in Austin, Texas, July 13-16. The gathering of co-op educators and developers will explore cooperative education resources and research and development projects that are transforming people, cooperatives and communities across North America.

Among the areas of focus will be a look at communities that are creating a systematic approach to cooperative development, as well as efforts to develop a new co-op curriculum for youth. Among the

other topics will be:

- Laying the Foundation for Co-op Education: Inform, Train, Educate;
- Living the Cooperative Values Within Your Organization;
- The State of Co-op Business Education;
- Collective Courage: A History of African-American Cooperative Economic Thought and Practice.

To register and see the preliminary program agenda, visit: <http://s.coop/ustin>. For questions, contact Sarah Pike at: (763) 432-2032.



“Butter exports were nearly as impressive, showing an increase of 176 percent for 2012, or nearly 24 percent of production,” Galarneau said. “It is clear that Michigan has been, and continues to be, a growing dairy state,” he added, noting that since 2000, the state has seen its annual milk production increase from 5.7 billion to 9.1 billion pounds.

MMPA members received an “all-milk average price of \$20.35 per hundredweight for 2013, above the national average of \$20.01 (as estimated by USDA),” Galarneau said, adding that the co-op sees the potential for a record average price of \$23 per hundredweight for 2014.

MMPA made cash payments of \$3.8 million in equity retirements in April. These cash payments represent the retirement of the 2005 equities. This is in addition to the \$2 million in cash patronage from 2013 earnings paid to members earlier this year.

“We continue to revolve equity back to our members on a nine-year cycle,

an impressive accomplishment for any cooperative,” says Galarneau. During fiscal year 2013, MMPA members earned \$26 million in total premiums.

Turkish delegates studying U.S. co-ops

In what marked the first official cooperative-to-cooperative visit between the United States and Turkey, representatives from the Ankara-based Ministry of Customs and Trade General Directorate of Cooperatives recently met with NCBA CLUSA officials in Washington, D.C. The visit underscored a movement toward greater collaboration between the global cooperative community and the United States as a leader in the cooperative development sphere.

“We are here to evaluate the well-established U.S. cooperative system, discuss future collaboration and hear success stories,” said Ismail Kalender, general director of Turkey’s Ministry of Customs and Trade. “Until now, we have only studied the cooperative

industry in the U.S. on paper.”

The cooperative movement in Turkey dates back to the republic’s founding in 1923. There are currently 84,000 co-ops in Turkey, spanning 30 industries. Construction, agricultural and transportation co-ops comprise the top co-op industries, but there are virtually no consumer co-ops. About 10 percent of the country’s population — or 8 million people — are members of co-ops. National laws in Turkey govern how co-ops are founded and dictate agricultural credits and sales.

Tom Decker, director of cooperative development for NCBA CLUSA, led the group through an overview of cooperative development in the United States, from the birth of agriculture, finance and electric co-ops in the 1920s-’30s to a recent upswing in consumer cooperatives as communities increasingly value organic, farm-to-table food.

Decker also noted a trend toward collaboration among co-ops in order to strengthen their collective impact and better raise the profile of cooperatives. Co-ops, Decker said, are “on the cusp of major growth” in the coming years.

The Turkish delegation expressed keen interest in worker co-ops. A presentation by Leslie Mead, executive director of the Cooperative Development Foundation, highlighted the established benefits of organizing home healthcare workers into worker co-ops.

NCB backing solar power projects

National Cooperative Bank (NCB) provided \$82 million in financing for solar projects during 2013. The bank worked with Strata Solar of Chapel Hill, N.C., on 15 solar projects around North Carolina, which will generate 94 megawatts of power, enough to support the energy needs of 11,250 homes. That power will also offset more than 63,360 tons of carbon dioxide emissions, equivalent to reducing auto travel by 120 million miles, reducing the carbon footprint by 11,700 cars.

All of the electricity generated will



This solar panel array at Fuquay Farms in Wake County, N.C., generates 9,600 megawatt hours of electricity per year, enough energy for 750 average homes. Photo courtesy National Cooperative Bank

Census shows steady decline in land devoted to farming

The 2012 Census of Agriculture, released May 2, shows a nationwide drop in land devoted to agricultural production, from 922 million acres in 2007 to less than 915 million acres, according to an announcement by American Farmland Trust. This reduction continues a downward trend that has resulted in a 72-million-acre decrease of land in agriculture since 1982.

The census counts land devoted to cropland, woodland, pasture and rangeland, and farmsteads/farm buildings, but does not track changes in rural land use, including acres lost to development.

"This latest census continues the steady decline of land in agricultural use as demand for agricultural products grows worldwide," says Andrew McElwaine, president and CEO of AFT. "Globally, we face the challenge of doubling food production by 2050 to feed the world's population."

States with the largest percentage declines in land devoted to agriculture were: Kentucky, 6.7 percent; Alaska, 5.4 percent; Georgia, 5.2 percent; Mississippi, 4.6 percent; and Wisconsin, 4.1 percent. Increases in land in farms were

reported in 19 states. The largest percentage gains were in: Maine, 7.9 percent; Connecticut, 7.6 percent; Florida, 3.4 percent; Rhode Island, 2.6 percent, and Virginia, 2.4 percent. But these upticks don't tell the whole story.

"In recent years, we've developed more than 50 acres of agricultural land every hour," says McElwaine. "Since 1982, we've converted 24.1 million acres – an area the size of Indiana and Rhode Island combined."

Estimates from the latest National Resources Inventory – a nationwide survey of non-federal land conducted by USDA's Natural Resources Conservation Service – also show that every state developed rural land and lost cropland soil to erosion between 2007 and 2010. According to an analysis by American Farmland Trust, each of the 19 states with more land in farms in the 2012 census also developed significant acres of rural land.

For more analysis of the 2012 Census of Agriculture, visit: www.farmlandinfo.org/statistics#Census of Agriculture. ■

be purchased by subsidiaries of Duke Energy. More than half of the solar projects serve low- to moderate-income rural communities.

These projects also have created new jobs. The co-op bank's partner, Strata Solar, is committed to hiring and training a local workforce for long-term employment opportunities. In 2013, Strata Solar tripled its workforce by creating 1,200 new jobs. "Our strategy is to build our utility-scale projects in regional clusters, so that our teams

move from one job to the next creating sustainable long-term job growth," says Markus Wilhelm, CEO of Strata Solar.

Arkansas ag co-ops pursue merger

Farmers Supply Association (FSA) and Tri-County Farmers Association (TCFA) recently announced the planned merger of their two cooperatives to create a new limited liability corporation (LLC). Pending membership approval, the Arkansas

Farm Partners LLC would equally merge the two companies to protect, strengthen and grow members' equity investments for the future, the co-ops said in an announcement.

The boards of directors of FSA and TCFA determined that pursuing this new business structure is in the best interest of the collective membership, which values the cooperative system and its ability to serve their growing needs.

"In recent years, we have seen cooperatives sell to national companies and eliminate the cooperative from the local market," TCFA President Tim Spector said. "We want to ensure that our member-producers can continue to depend on the cooperative system that they value and trust to provide the high-quality, competitively priced products and services that they have come to expect."

The merger would also create more opportunities for growth and position the new LLC to lead the cooperative system in the state of Arkansas.

Farmers Supply Association, based in Harrisburg, is an ag supply cooperative that has been working with farmers for more than 52 years in seven counties in northeast Arkansas.

With headquarters in Brinkley, Tri-County Farmers Association has served its cooperative members for more than 58 years in nine eastern Arkansas counties.

Oregon co-op markets GMO-free cherries

A new line of maraschino cherries that are certified to be free of genetically modified organisms (GMO) has been introduced by Oregon Cherry Growers, a Salem-based cherry processing cooperative. According to a report in the *Statesman Journal* newspaper, the line of natural maraschinos has passed an independent verification process by the Non-GMO Project, a nonprofit organization that performs third-party verification and labeling.

Oregon Cherry Growers is one of the largest processors of sweet cherries

in the world, supplying fresh, maraschino, dried and frozen sweet cherries, as well as blueberries and other fruits. "Since our line of Royal Harvest Maraschinos already met all of the non-GMO criteria, it seemed only natural that we would pursue the non-GMO certification," Tim Ramsey, the co-op's CEO, told the newspaper.

Founded in 1932, Oregon Cherry Growers is a grower-owned cooperative of family farms cultivating, manufacturing and marketing fruit grown in the Willamette Valley and the Columbia River Gorge. The co-op employs more than 400 people at its processing plants in Salem and The Dalles.

Co-op using USDA loan to create new jobs in forest products

A Wisconsin forest products business is set to expand with the help of a rural development loan secured by Barron Electric Cooperative. The \$657,000 loan, issued by USDA Rural Development under its Rural Economic Development Loan and Grant (REDLG) program, will enable Tri-State Lumber & Land to add as many as 10 jobs during the next three years, according to a report on the Electric Cooperatives Today website.

The company's growth plans call for producing pallet parts from small-diameter, low-grade timber, which will maximize production of all harvested

timber. USDA says the loan also will preserve 20 jobs at the business in Trego, in northwest Wisconsin. Founded in 1996, Tri-State Lumber & Land is a locally owned sawmill that specializes in high-grade lumber, paneling, flooring, corner trim and moldings for wholesale and retail markets.

USDA's REDLG program provides zero-interest loans for co-ops to relend for job creation efforts, typically through revolving economic development accounts. Co-ops support



Construction work was nearing completion when this photo was taken inside the dry fertilizer storage building at the new Trupointe Cooperative agronomy hub in Milford, Ind. The facility opened in April. Photo courtesy Trupointe Co-op

the program through prepayment of their Rural Utilities Service loans.

Trupointe Co-op opens Indiana facility

Trupointe Cooperative in April opened a full-service agronomy hub in Milford, Ind. Located on a 275-acre site, the facility will hold 2 million gallons of liquid fertilizer and 37,000 tons of dry fertilizer. Its automated handling systems will provide accuracy and efficiency with load-out times set at seven minutes for dry fertilizer, 17

minutes for liquid fertilizer and 15 minutes for anhydrous ammonia.

Certain products will be available for loading 24 hours a day, seven days a week.

Chase Snyder is the manager of the new agronomy facility. Snyder graduated from Ohio State University with a bachelor's degree in crop science and agricultural systems management. He previously worked as a superintendent at Consolidated Grain & Barge in Mount Vernon and Princeton, where he managed grain quality, personnel, logistics and the preventative maintenance program. ■

Commentary

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www.usda.gov/investmentconference.

Promoting rural healthcare

In another indication of how Farm Credit works with USDA, AgStar Financial Services and United FCS have partnered with Renville County Hospital and Clinics in Olivia, Minn.,

on a renovation and expansion project. The \$24 million project was made possible through many partnerships, including investments from AgStar, United FCS, CoBank and financing from USDA Rural Development. In addition, Renville County Hospital and Clinics has committed a portion of the project costs from its own cash reserves.

This 62,000-square-foot project includes a new clinic featuring 15 exam rooms and one procedure room, 16 inpatient beds, lab radiology and therapy, outpatient and specialty clinics,

two operating rooms and an education center.

Marc Knisely, CEO of United FCS, says the project provides local communities with improved access to quality health care today while also promoting opportunities for future expansion of services.

Both of these endeavors show that the cooperative mission of FCS can manifest in many worthy ways, and USDA Rural Development looks forward to more such collaborative efforts in the future. ■

The Right Blend

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blends — each 40,000 pounds of raw product — at Sno Pac Foods in the early winter of 2013. By collecting pre-orders from enough institutional buyers, Chapeta was able to justify moving forward with the project. The result was a success for Fifth Season Cooperative, and for farmers and schools, as well as the other institutional buyers.

Historically, tracking food through conventional supply chains — with the goal of educating consumers about the origins of their food — has been difficult. In typical supply chains, where procurement decisions are made based on least expensive available product, the origin of products can be highly variable.

However, Fifth Season provides full transparency on product origins for all customers. For the frozen blends, Fifth Season provided farmer-identified educational materials, giving the consumer information about the farmers and their growing practices.

The winter availability of these locally grown products helped institutions meet the demands of their customers to extend the season for local products. The schools ability to order frozen, locally grown products through their existing distributor was seen as highly convenient, while simultaneously providing the opportunity for small- and mid-sized growers to access new institutional markets.

Promising markets and values-based supply chains

Fifth Season Cooperative used 90 percent cosmetically imperfect seconds to create its root vegetable blends and will continue to develop a new product line of frozen, minimally processed vegetables and vegetable blends in the coming years. For the 2014 season, the

co-op has begun the build up to increase production two-fold of the proven blends. This is a direct response to the increased demand for the products from institutional and commercial buyers.

Co-op leaders say it appears likely that the sales volume of the vegetable blends will increase in 2015 and 2016 and that new products will be added to the co-op's offerings, including carrot fries, a late-summer vegetable medley and pureed products.

Organic Valley benefited greatly from the success of this project. The small family farmers in this cooperative, many of whom are Amish farmers, produced all of the butternut squash, red beets and golden beets for the Winter Moon Blend, most of which were seconds. Until this project, the farmers had not found a suitable market for their cosmetically imperfect seconds.

The relationship between Organic Valley and Fifth Season Cooperative is reciprocal. Organic Valley provides locally grown organic vegetables and Fifth Season provides member-owned processing infrastructure and a market for these products through its distributor-member, Reinhart Food Service. These relationships have come full circle within Fifth Season.

Robust, regional food system

Fifth Season Cooperative, as part of an applied research project, fostered supply chain relationships that created a market for under-utilized produce, enhanced business viability, provided fair pricing to farmers and supplied children with healthy food at a reasonable cost. By developing a robust regional food system that increases access for small farmers to institutional markets, Fifth Season is building a strong, resilient local economy.

Fifth Season provides a model of how cooperatives can contribute to economically thriving communities by bringing together groups that typically do not work closely together, such as distributors and small organic farmers. Because these diverse stakeholders are

sitting at the same table to make decisions, accountability exists where it otherwise may not.

This accountability between the supply chain sectors leads to increase in communication and trust at the individual level, which results in adequate transparency at the individual and organizational levels. Fifth Season's model is changing the culture of doing business within an otherwise conventional food supply chain and is normalizing a new approach, rooted in accountability and transparency across sectors.

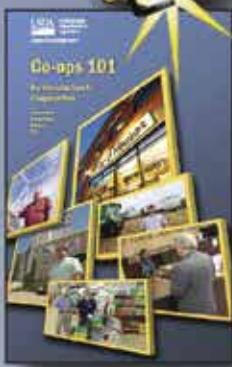
The values of environmental, social and economic health and fairness motivate the co-op to produce, process and market healthy, locally grown foods in its region. As Fifth Season continues to grow and build a community and regional food system, the hope is that the values themselves will transform relationships that have the potential for positive social change.

If the success of Fifth Season is any sign of the potential of this model, then there should be great hope and confidence for building sustainable local food systems across the country. ■

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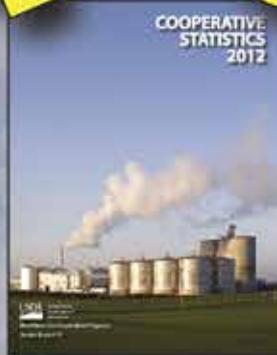
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TUNE UP YOUR CO-OP



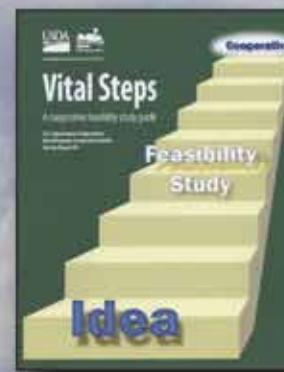
Co-ops 101: An Introduction to Cooperatives (CIR 55)

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



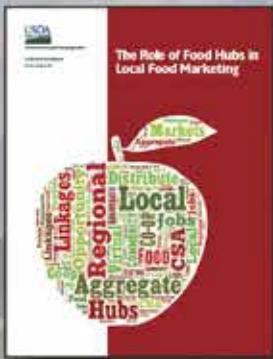
Cooperative Statistics 2012 (SR 74) (Web Only)

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



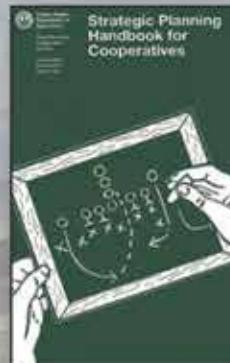
Vital Steps: A Cooperative Feasibility Study Guide (SR 58)

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



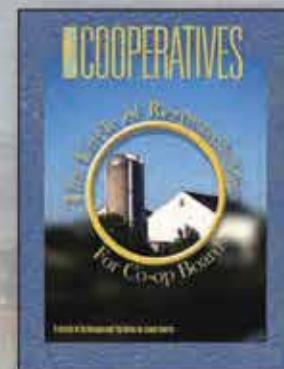
The Role of Food Hubs in Local Food Marketing (SR-73)

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



Strategic Planning Handbook for Cooperatives (CIR-48)

Presents a method for facilitating the strategic planning process. Facilities, personnel, and equipment associated with the process are described. The five phases of strategic planning are described in detail—agreeing to plan, gathering facts, evaluating facts, defining the plan, and evaluating results. Hints for success are provided throughout.

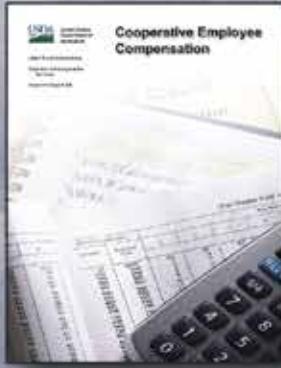


The Circle of Responsibilities for Co-op Board Members (CIR 61)

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

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

For hard copies (please indicate title, publication number and quantity needed), e-mail: coopinfo@wdc.usda.gov, or call: (202) 720-7395. Or write: USDA Co-op Info., Stop 0705, 1400 Independence Ave., SW, Washington DC 20250. To download from the Web, visit: <http://www.rurdev.usda.gov/RDPublications.html>.



Cooperative Employee Compensation (RR-228)

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



Nominating, Electing and Compensating Cooperative Directors (CIR 63)

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



Sample Policies for Cooperatives (CIR 39)

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



Annual Audits - Board Responsibilities (CIR-41)

Directors, managers, and advisers of new and developing cooperatives need to be well informed about the importance of an annual audit. This publication summarizes information concerning audits and reviews of accounting systems in four areas: (1) Reasons for an audit; (2) auditor selection; (3) audit procedures and audit report; and, (4) other accounting services.



Base Capital Financing of Cooperatives (CIR 51)

Successful management of equity requires a responsive and objective capitalization program. A base capital plan is an ideal way to meet this requirement. This guide provides information on the benefits of the base capital method of capitalization, and guidelines for implementing and operating such a plan.



Keys to Successful Co-op Housing (SR 44)

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

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