



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

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

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

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

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

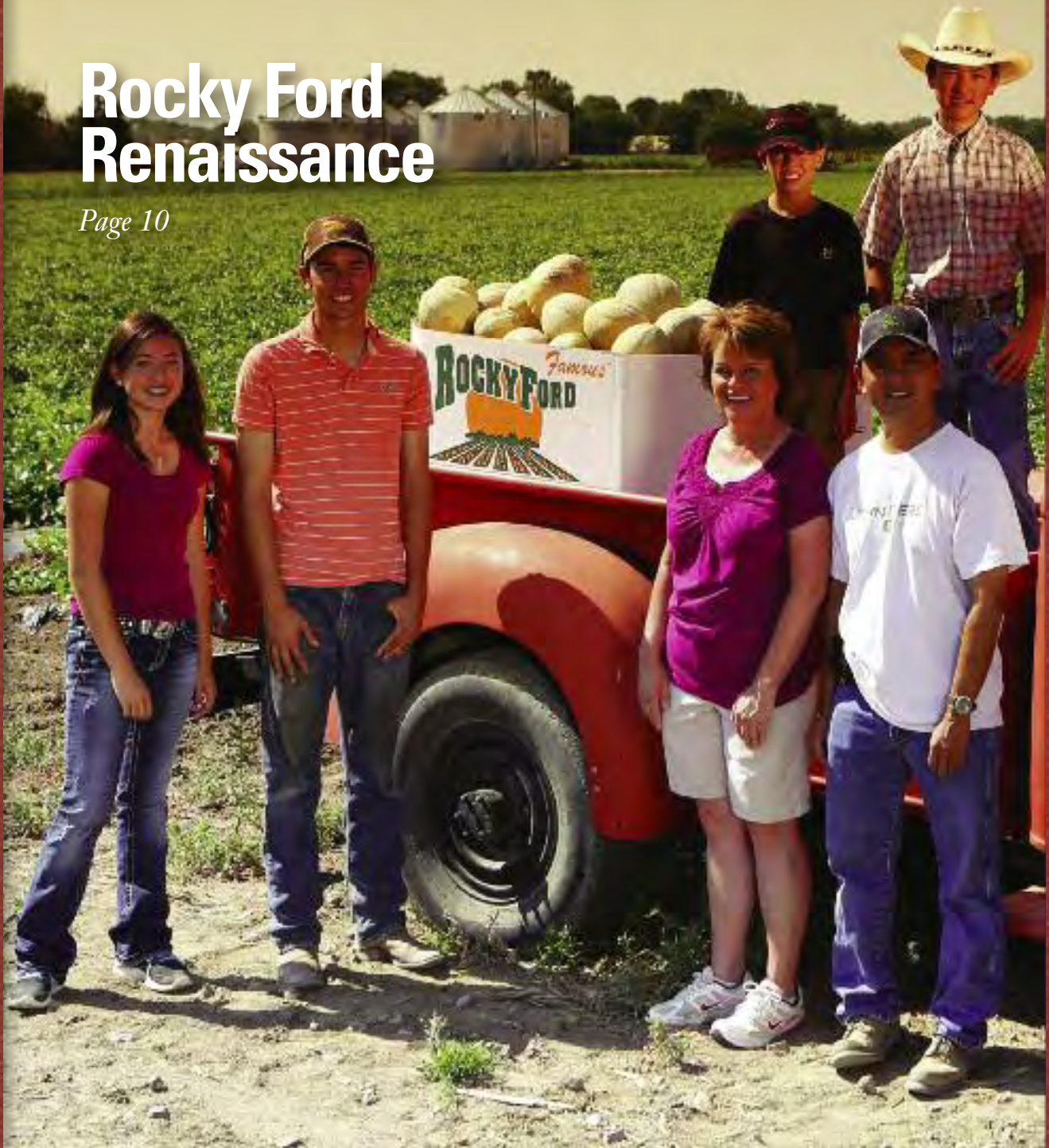
Rural COOPERATIVES

USDA / Rural Development

January/February 2013

Rocky Ford Renaissance

Page 10



Commentary

Raising the bar on safety

By William J. Nelson

Vice President, Corporate Citizenship and
President, CHS Foundation
Chair, ASHCA Board of Directors

Agriculture, with its decentralized nature and diverse structure, lags other industries in reducing the toll on its workers. Its fatality rate is eight times that of the all-industry average. In a typical year, about 500 workers die while doing farm work in the United States, and about 88,000 suffer lost-time injuries, according to the National Institute for Occupational Safety and Health. The annual cost of these injuries exceeds \$4 billion.

If our agriculture industry is going to feed the world population, which is estimated to reach 9 billion by 2050, we must do it safely, humanely and sustainably.

At CHS Inc., we see safety as a vital issue. Not only is CHS and each of its subsidiaries committed to providing a safe and healthy workplace, the CHS Foundation provides grants to support education programs that help keep farm families, children and agribusiness professionals safe.

One way in which CHS promotes a culture that makes personal health and occupational safety a priority is through its membership in Agricultural Safety and Health Council of America (ASHCA, <http://www.ashca.com>.)

ASHCA, established in 2007 with support from the Farm Foundation, is a consortium of agricultural producers, farm associations and agribusinesses that has planned and promoted strategies to make agriculture much safer and healthier in the United States. We see ASHCA's focus as complementary to the efforts of the University of Minnesota

and DuPont, as described in the article, "Creating a safety culture," on page four of this issue.

North American agricultural co-ops and others in the farm industry have a unique opportunity to step up to help ensure the safety of the agricultural workforce through public communications, education and training.

We are particularly excited about the "2013 North American Agricultural Safety Summit" Sept. 25-27, 2013, at the Marriott Minneapolis City Center Hotel. The Summit, hosted by ASHCA with support from CHS and others, has the potential to galvanize the public and private sector in forming a common vision on how to update national agricultural safety and health priorities.

Committed speakers include Carl Casale, president and CEO of CHS, as well as John Howard, director of the National Institute for Occupational Safety and Health. Tom Vilsack, U.S. Secretary of Agriculture, is among invited speakers.

The primary audience will include leaders and influencers of cooperatives and farm organizations, industry executives and their risk managers, farm/ranch management advisors and safety consultants, university faculty and researchers, agricultural educators, agricultural association leaders, and many others.

The Summit event will include interactive sessions and innovative learning opportunities appealing to individuals and businesses involved in food production and worker safety. To learn more, go to www.ashca.com.

For another look at how agriculture can become safer and remain sustainable, read the account of four ASHCA members in the *Journal of Agromedicine*. Visit: <http://bit.ly/RHyCAF> or <http://www.tandfonline.com/toc/wagr20/17/4>. ■



In a typical year,
about 500 workers
die while doing
farm work.

Features

Volume 80, Number 1
January/February 2013

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

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

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

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

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



Tom Vilsack, Secretary of Agriculture

Dallas Tonsager, Under Secretary,
USDA Rural Development

Dan Campbell, Editor

Stephen Hall / KOTA, Design

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

This publication was printed with vegetable oil-based ink.



p. 10



p. 14



p. 28

4 Creating a safety culture

Garden City Co-op tragedy underscores need for co-ops to make employee safety priority No. 1

7 Here today, here tomorrow

Alabama co-op helps limited-resource growers process and market produce

By Fay Garner

10 Rocky Ford Renaissance

Colorado cantaloupe growers rebound after crisis

By Lee Recca

14 USDA-supported programs help Mali farmers adapt in hard times

By David Taylor

17 Bio-energy impact, base capital financing among topics at Farmer Co-op Conference

By Bruce J. Reynolds

22 Antitrust challenges facing farmers and their cooperatives

By Marlis Carson and Donald Frederick

28 Co-op conversions help bring security to manufactured housing owners

By Steve Varnum

32 The Co-op Nature of (the Affordable Care Act) CO-OPs

By Charles Ling

36 Most Co-op Network members say 2012 was a solid economic year

By Mary Erickson

Departments

2 COMMENTARY

38 NEWSLINE

ON THE COVER: On the cover: Although their cantaloupes were not the cause, a food poisoning outbreak in 2011 badly hurt producers in the Rocky Ford area of southeastern Colorado, including the Hirkata family (pictured here). Under the umbrella of the Rocky Ford Growers Association (RFGA), growers bounced back in 2012 with a marketing campaign that helped restore consumer faith in their product. Photo by Dave Klein, courtesy RFGA



A deep reservoir of grain can act like quicksand, quickly pulling a person under and causing suffocation. Here, workers learn rescue techniques at a CHS Inc. river terminal near Kennewick, Wash. Photo by David Lundquist, courtesy CHS Inc.



Creating a safety culture

Garden City Co-op tragedy underscores need for ag co-ops to make employee safety priority No. 1

Editor's note: *This article was provided by the University of Minnesota, with additions by Rural Cooperatives staff.*



Dwayne Seifried was the type of employee any co-op manager or director would love to have on staff. Well known as a “go getter” and a “workaholic,” co-workers and members say Seifried would always go the extra mile to

get a job done right because he was so totally committed to serving the farmer-members of Garden City Cooperative in southwest Kansas. Many of those members were also his lifelong friends who he knew counted on the co-op as a critical part of their success.

When the co-op decided to form a safety committee, it came as no surprise that Seifried, one of its longest-tenured employees, was named as its chairman. Agriculture is one of

the world's most dangerous professions, which also presents hazards for the men and women who provide goods and services to farmers and ranchers. There are huge pressures to get work done as expeditiously as possible in agriculture. So when machines break down, grain bins clog or inclement weather is approaching, all too often safety corners are cut. Even a knowledgeable, veteran hand like 59-year-old Seifried — whose meticulous attention to detail and understanding of safety procedures earned him the leadership role on the co-op's safety committee — can sometimes drop his or her guard when the pressure is on. It only takes one such slip to end in tragedy.

That's what happened in November 2009 when Seifried entered a grain bin to break up some clogged milo. Although he was wearing a safety harness, he did not "rope off" from above, which is vital to saving the life of a worker who gets pulled under in a grain silo or bin. This proved to be a fatal error. By the time the rescue team pulled Seifried out, it was too late to revive him.

Seifried's death rocked the community and the entire co-op, where he knew and worked with virtually every employee. His story is told in a 25-minute video, "Roberta's Request," which should be mandatory viewing for all co-op managers, employees and directors, says Michael Boland, Koller professor and director at the University of Minnesota Food Industry Center. Boland is now leading an effort to get more co-ops to promote employee safety. The video is posted on YouTube at: <http://www.youtube.com/watch?v=kRhk2louGPw>.

Ramping up safety programs

Ironically, safety issues often intensify when employees become comfortable in their work environment and develop a false sense of security, feeling that they know the threats and how to deal with them. Add to that the frequent pressure of needing to get work done as soon as possible, and you have an environment where safety corners sometimes get cut. Saving a few seconds by letting a safety step slide can cost an employee an arm, a leg or even their life, the video stresses.

The antidote to such tendencies is for co-ops to build a culture of safety in which managers, supervisors, directors and all employees understand that safety is always the first priority — one that never takes a back seat to any "rush" assignment. At Garden City Co-op, people were promoted

into new positions to supervise and emphasize safety.

"The story we have of the tragedy here at Garden City Co-op has to do with an incident that happened in a grain elevator by an employee taking a short cut and getting into a bin that he should have never gotten into," John McClelland, general manager of Garden City Cooperative, says in the video. "The message, though, is not about a grain elevator vs. anything else that we do. The message is that people make bad decisions in surroundings that they feel comfortable in when they are under pressure. It's kind of counter-intuitive, but the better you train, the more comfortable your people feel, and the more likely it is for them to make a bad decision.

"So, along with the training and procedures, you have to make sure there is a culture and commitment behind the scenes," McClelland continues. "That culture and commitment extends, beyond what happened to us with a bin entry fatality, to every part of our operation. So our story isn't a grain elevator story or a bin entry story; it's about one of the best trained people we had on staff who got lost in the moment and took some shortcuts that ultimately cost him his life. That can happen if you are working in a

cotton gin in south Texas, or a potato farm in North Dakota."

Goal: Outcomes-based culture

"Moving from a compliance culture to an outcomes-based culture is where we want to be in our regulatory environment," Boland stresses. "Building a safety culture is an important link in an outcome-based culture."

Todd Ludwig, CEO of Watowan Farm Services (WFS) in Truman, Minn., spoke at the 2012 Farmer Cooperatives conference in Minneapolis, Minn., in November about a program his cooperative — and some other local co-ops — are participating in through the University of Minnesota. "We decided that more education on employee safety had to be pushed throughout the organization," Ludwig said.

"This partnership with the University of Minnesota and DuPont made this attractive to us," added Mike Trosen, CEO of Country Pride Cooperative in Winner, S.D., who was in the audience. "We had recently hired Tom Malek as safety director, and this was beneficial for him."

"If someone had told me in February 2011 [prior to a

The annual cost
of farm work accidents
exceeds \$4 billion.



Learning the ropes: a safety training session at United Farmers Cooperative (UFC) near York, Neb. Photo courtesy UFC



Stepping or falling into a loaded grain truck can also be deadly for employees, hence, this safety training exercise in Kennewick, Wash. Photo by David Lundquist, courtesy CHS Inc.

CEO Roundtable in March of that year, see below] that I would be working with this group — and that one of my doctoral students would be doing research on this topic, I would have not believed it,” Boland says. “It was totally off my radar screen. What made this program special for me are the people and cooperatives in this safety education program.”

Graduate student Corey Risch has worked on the project as part of her dissertation. “CHS recently funded a graduate student fellowship at several universities, including the University of Minnesota,” Boland continues. “We received matching funds for the fellowship, and the first student funded happened to be Corey. She decided to take this project on as part of her dissertation. It has been a good program for the university, a good program for my department and graduate students — and a good program for me, personally and professionally.”

CEO Roundtable sparks interest

The University of Minnesota safety program had its roots in a March 2011 CEO Roundtable, sponsored by CoBank and Kansas State University, with cooperation from the University of Minnesota.

“My CEO went to the conference and came back talking about a presentation by DuPont and Cargill on safety culture,” says Phil Pelc, safety and compliance director at United Farmers Cooperative, in York, Neb. “He said Michael Boland from the University of Minnesota was going to try to

work out a program with DuPont that would be accessible to local cooperatives and asked if I was interested. I said definitely yes.”

David Edwards, safety director at Farmway Co-op in Beloit, Kan., adds, “My CEO was at that same workshop and came back saying, ‘We need to do this.’ It sounded like an excellent opportunity to me.”

Ultimately, 11 cooperatives agreed to be assessed using DuPont’s program. The initial assessment used a 24-question survey designed to obtain feedback from employees about safety processes, structure and similar activities correlated with safety culture. More than 4,500 senior managers, line managers and employees from the 11 cooperatives participated in the survey in the summer and fall of 2011.

“The results from the initial assessment revealed that there was a lot of room for improvement in building safety culture,” notes Boland. “We worked with DuPont to create an educational program for these cooperatives.”

“I did not know anything about this program,” says Ryan Armbuster, safety director at Cooperative Elevator, Pigeon, Mich. “My CEO saw the initial assessment from DuPont, and we knew we needed to do better.”

“We had recently gone through a merger, and it was clear from the data that we had not yet merged our safety culture to have one Trupointe safety culture,” says Brian Manges, safety and risk coordinator at Trupointe Cooperative in Piqua, Ohio. Ryan Janssen, the safety director at Key Cooperative in Roland, Iowa, adds, “We had also gone through a merger that essentially doubled us in size. We had to take our safety culture into account.”

Workshops hone in on key topics

Over the next year, a series of workshops were held in Omaha, Neb., Kansas City, Mo., and Fort Wayne, Ind., on topics such as incident investigation, safety observations, safety committee structure, leadership and other topics related to safety. Participants included safety directors for each cooperative and a senior line manager.

Doran Burmood and Mark Hueftle, safety directors at CPI (Cooperative Producers Inc.) in Hastings, Neb., notes that their co-op operates 38 locations, including agronomy, energy, feed and grain facilities. “But we also own a pizza parlor, a tire store, a Midas dealership, and convenience stores,” says Burmood. “Our employees are all over the board with regard to tenure and knowledge of safety as applied to their own location. This is a challenge.”

“We had been doing incidence investigations and other things,” says Joe Toporcer, safety director for Agland Co-op, Canfield, Ohio. “But we really had no protocols for safety observations. The role playing we did at our workshops helped us a lot.”

Thatcher Block of Innovative Ag Services in Monticello, Iowa, says, “We have learned a lot. I was hired as safety and

continued on page 42

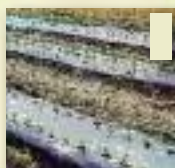
Here today, here tomorrow

Alabama co-op helps limited-resource growers process and market produce



Al and Demetrius Hooks host field days to share success stories with others interested in expanding their small farming businesses. Photos by Fay Garner, Courtesy USDA Natural Resources Conservation Service

**By Fay Garner, Public Affairs Specialist
Alabama State Office**
USDA Natural Resources Conservation
Service



In 2006, Al Hooks' "Pick Today, Use Today" philosophy of marketing more than met his planting and harvesting needs. Fast forward six years and you will see a completely different operation.

Today, Hooks and the other members of his small farmers co-op are participating in Alabama's "Buy Fresh, Buy Local" campaign and USDA's "Know Your Farmer, Know Your Food" effort. They regularly supply fresh vegetables to restaurants, grocery stores and farmer's markets in and around Macon County and as far away as Birmingham.

Hooks, who farms near Milledgeville, Ala., formed Al Hooks Produce in 2002, which today is a small marketing

co-op that includes his son, Demetrius, and three other local growers.

In the summer of 2010, Al Hooks Produce joined the Tuskegee University Farmers' Cooperative and is now supplying fresh produce to Walmart, the largest grocery retailer in the United States, among other buyers.

"When I started in the produce business, I had a vision," Hooks explains. "I did not want something that would be here today and gone tomorrow." His ownership of about 45



Demetrius Hooks, left, works with his father, Al Hooks, to sell produce to larger markets, such as Walmart.

acres of fertile land and his love for farming fueled his vision of expanding the operation to grow more produce and to have a place to conveniently process the crops for market.

The co-op pools produce — mostly peas, cabbage and greens, including collards and turnip greens — from the four farms for distribution to restaurants, grocery stores and nearby farmer's markets after it is washed and packaged in Hooks' processing facility.

USDA provides key assistance

Use of modern farming technologies is helping to greatly expand his production. USDA's Natural Resources Conservation Service (NRCS) helped Hooks install a micro-irrigation system that delivers water and nutrients in precise amounts directly to plant roots. He also constructed a hoop house that allows crops to be started earlier in the spring and harvested later.

Hoop houses are easy and fairly cheap to build, simply consisting of a metal frame wrapped in plastic. Hoop houses extend the growing season into the cold months, helping to increase productivity. They keep plants at a steady temperature and conserve water and energy. Hooks has been so pleased with his hoop house that he plans to expand with two more.

Hooks has also participated in a demonstration project with the Mid-South Resource Conservation and Development Council using "plasticulture" — the practice of covering crop rows with sheets of plastic to help regulate soil temperature, slow loss of water from evaporation and reduce soil erosion.

The system worked so well for him that Hooks has expanded his acreage in the program. Both plastic and drip tape are installed at the same time using a special implement pulled by a tractor.

Hooks warns that using plastic is very expensive and farmers need to be selective regarding which crops and land to use it for in order to ensure that there is a net gain going back into the operation.

Al Hooks Produce has been supplying the Kellogg Center in Tuskegee with fresh produce for about four years and also delivers to the Whole Food Market in Birmingham. The members supply Jim 'n Nick's Bar-B-Q in Prattville with cut greens and plan to provide peas, okra and other vegetables in the summer. They also supply produce for special events. One of the newest contracts is with Embassy Suites in downtown Montgomery.

Local farmers' markets, including the Tuskegee Farmer's Market and the Valleydale Farmer's Market in Birmingham, are also a big part of the co-op's marketing strategy. Hooks sometimes works with as many as nine farmers' markets per week during the summer.

Processing facility built

The increase in demand allowed Hooks to build a produce processing facility. "I wanted to do something beneficial for my family, as well as for the community and the people who want to be a part of it," Hooks says. "At the same time, I wanted to do it in the right way. My vision was to build an approved facility where we can process the crops ourselves for a variety of markets."

To aid in this part of his plan, Hooks researched the type, size, regulations and available financing for such a facility. After deciding on a design, he turned to USDA's Farm Service Agency (FSA) for financing. (*Editor's note: USDA Rural Development also has programs, including the Value-Added Producer Grant program, which can help build such facilities. For more information, visit www.rurdev.gov.*)

"There was a real need for this type of facility," FSA State Executive Director Daniel Robinson said during a recent tour of the farm. "There is

always a demand for fresh products, whether they are chopped greens or some other vegetable. We envision that this facility is going to increase his acreage and allow more rural farmers to get involved.”

When the word spread about his processing facilities, Hooks realized there were other producers who did not have the funds to even rent a building, much less build one. He discussed the situation with the other co-op members, and they decided to allow others to use the building.

Inside the processing facility, a cooler holds the cut and packaged cabbage, collards and other items for restaurants, which want different types of cuts, ranging from strips to squares. “We do

markets and earn more income for their produce. In turn, Walmart benefits from having fresh, locally-grown produce to stock the shelves of its grocery stores.

The Alabama Small Farm Rural Economic Development Center at Tuskegee University has contracted with Walmart for local growers to supply two Alabama distribution centers with seasonal produce.

In July 2011, Al Hooks Produce started selling peas and greens to Walmart through the center. The pick-up and delivery process is convenient for both parties. Walmart trucks pick up the produce — as little as one pallet — and transport it to their distribution centers.

father), Demetrius is instrumental in designing logos, labels and packaging for the business. He also works to secure new agreements to supply fresh vegetables to area restaurants and other customers

“When we first started with Walmart, it had never bought greens or shelled peas from small farmers in this area,” Demetrius says, adding that the co-op’s products are entirely local. “We even created the clam-shell plastic container that holds the peas.”

NRCS State Conservationist William Puckett sees great potential to spread this business model. As he puts it: “Al Hooks Produce is a prime example of how limited-resource farmers can help meet larger demands



The Hooks family uses plasticulture and micro-irrigation to improve productivity. The latter helps target nutrients and water directly to the roots of the plants.

not machine cut our greens. I hand-cut every pound of greens shipped, sometimes 300-400 pounds a week,” Hooks says.

Supplying Walmart

In October 2010, Walmart started the Heritage Agriculture Project to help limited-resource farmers expand

Hooks’ son, Demetrius, a graduate of Auburn University in Montgomery, Ala., has been working full-time with his dad for two years. Demetrius is in charge of marketing and public relations and helps with all other aspects of the business. As a graphic designer (a field he worked in for 12 years before going to work with his

for fresh produce.”

And in the true cooperative spirit of co-ops helping other co-ops and their communities, Hooks and his son host field days on their farm to share their story with others interested in expanding small farming businesses. ■

Rocky Ford Renaissance

Colorado cantaloupe growers rebound after crisis



By Lee Recca

Editor's note: The author is a communicator based in Denver, Colo., who has worked for Sunkist Growers, CoBank and the Rocky Mountain Farmers Union.



There are no better cantaloupes than those grown around Rocky Ford, in southeastern Colorado, most consumers in Colorado and surrounding states will tell you. They say the melons are well worth waiting for until they ripen, typically in August.

But the 2011 season was a departure from the 125-plus seasons during which this venerable brand has been marketed.

A cantaloupe *Listeria* bacteria crisis in 2011 was traced to a single grower in southeastern Colorado, 90 miles from Rocky Ford, who allegedly transported melons in contaminated trucks without



The Michael and Glenn Hiramata families are key players in the Rocky Ford Growers Association, which has helped area cantaloupe growers bounce back from a crisis in 2011, caused by a food poisoning outbreak more than 90 miles away from their farms. Photo by Dave Klein, courtesy RFGA

tell our side of the story — that growing Rocky Ford cantaloupe is not just a job, it's our livelihood.”

The growers had lots of help, including guidance from the Colorado Department of Agriculture and the Produce Marketing Association, Hiramata says.

Growers invest in new packing shed

Even though the Rocky Ford cantaloupe has earned a reputation for safety and quality, the Rocky Ford Growers Association (RFGA), formed in November 2011, decided to invest \$800,000 in a new packing shed with the latest equipment for washing, storing and packing.

With help from Colorado State University, RFGA researched best practices in cantaloupe washing techniques. It developed safety protocols to upgrade all operations and hired a safety manager and a safety/quality tracking company. A request was made to USDA to perform announced and unannounced audits. Michael Bartolo, who heads the Rocky Ford Research station, provided expertise.

To get the word out, the association hired a marketing and public relations agency, BrandWerks+Mulligan, to develop and carry out branding, advertising, media relations, events and social media campaigns, all under RFGA supervision. As the melons ripened in the field, the growers filmed and appeared in commercials that appeared just a week or so before the

chilling. But some news media inaccurately attributed the problem to the Rocky Ford growing region, which devastated the Rocky Ford Cantaloupe brand that year.

Consumer and retail confidence needed to be restored quickly as the 2012 season approached.

Michael Hiramata, the lead packer

and head of the Rocky Ford Growers Association, recounted the way the association was conceived. “The growers came together to brainstorm ideas to rebuild our name. We just wanted to get the complete story out about what we had done in the past and the steps we were taking for the future, without pointing fingers. We wanted to

crops rolled into markets, building excitement.

The Rocky Ford Cantaloupe and Rocky Ford Growers Association names were trademarked, and the growing region was defined as Otero and Crowley Counties, south of the Colorado Canal.

and judged by local media stars brought even more attention to all the social networks and conventional media.

Appearances around the Rocky Ford area by Colorado U.S. Senator Michael Bennett, state Agriculture Commissioner John Salazar and Governor John Hickenlooper added to

of Rocky Ford cantaloupe among consumers and the potential impact to other Colorado fruits and vegetables.

“Rocky Ford cantaloupes, along with Olathe sweet corn and Palisade peaches, have been one of the products that have helped define the image of Colorado produce for many Coloradoans — we

couldn't just sit by and watch Colorado's cantaloupe industry disappear,” Lipetzky continues. “We knew a broad communications effort to restore consumer confidence and promote Rocky Ford cantaloupe was going to be critical.”

“We were really pleased with the way the growers came together to form an association and with all their efforts to implement measures aimed at increasing food safety,” Lipetzky says. “They did an excellent job and demonstrated to consumers that they are committed to

producing a high-quality and safe product.”



Billboards and ads played a key part in the association's marketing campaign.

Bar code-branded stickers were developed for all cantaloupe produced by Hirakata Farms, giving the ability to trace a melon back to the field where it was grown. All growers were required to register with USDA's Farm Service Agency (FSA) and obtain current GAP (Good Agricultural Practices) certification or Global GAP training.

Growers accompany melons to market

Friday, July 13, was a lucky day for RFGA, as the new crop rolled into stores a couple of weeks early. Growers went with the melons, standing in the produce department of a King Soopers (one of Colorado's major supermarket chains) to field reporters' questions.

Local news outlets in Colorado enthusiastically covered the story, which was picked up by news outlets throughout the United States. A week later, a packing shed tour was equally well covered in the press. A cook-off featuring four of Denver's hottest chefs

the “pizzazz.” The events culminated in national media coverage about the rebound of Rocky Ford cantaloupe, including an article in the *San Francisco Chronicle*.

The public relations effort was spearheaded by Diane Mulligan of BrandWerks+Mulligan. The agency monitored national news carefully throughout the season, prepared for any quality problems that might crop up.

RFGA was rewarded for its proactive approach: when *Listeria* outbreaks occurred in other states, the media called RFGA for background information, which was freely given, along with a reminder of Rocky Ford's reputation and recent upgrades.

“This was really the first time that the Department became this involved to help support a specific segment of Colorado's ag industry,” says Tom Lipetzky, Markets Division director for the Colorado Department of Agriculture. “But we really felt it was necessary because of the high visibility

Enduring commitment to growers' brand

Generations of growers since 1887 have dedicated themselves to Rocky Ford and growing this special melon. Their enduring commitment, often in the face of adversity, is the “face” behind the brand.

Marketing materials, including television and radio commercials, billboards, posters and advertising brought it all home for consumers: the face of the growers, the heritage and the simple pleasure of biting into a sweet juicy melon that brings a smile to your face.

Stories about the comeback of the Rocky Ford brand appeared on television, radio and in newspapers and magazines throughout the state. Exceptional relationships with the media led to balanced reporting, even when *Listeria* concerns cropped up in



TV news reporters interview cantaloupe growers in a Kings Soopers grocery store in Denver as part of a marketing campaign to spread the word about the wholesomeness of their fruit.

other states. Rocky Ford kept its unblemished reputation for safety throughout the 2012 season, selling out its crop early and earning a premium price for its growers.

What accounts for the amazing rebound of the 2012 season? “Everything fell into place,” says Hiramata. “It took everybody pulling together: the state of Colorado, Colorado State University, the growers. And we had outstanding support from retailers, the media and the consumers. The media reporters were a great help. They were there from Day One helping us tell our story.” There was also a lively social media presence including sites on Pinterest, Facebook, Twitter, YouTube, and a web site that is still going strong off-season.

What experience taught them

Hiramata’s advice to other cooperatives and associations facing similar challenges is: “Don’t wait until something happens. We were caught completely off guard. Plan for the worst and hope for the best.”

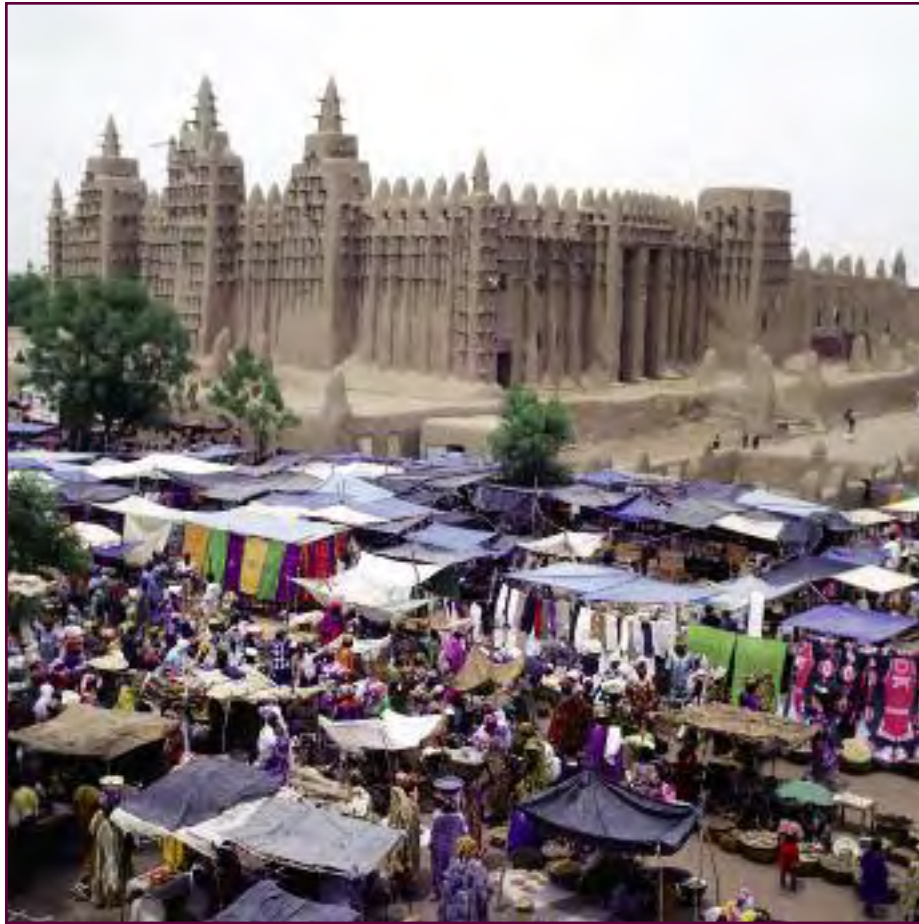
Added Lipetzky, “Be ever vigilant in ensuring food safety and proactive in telling your story to consumers and the public. By doing so, should an issue ever arise, you will have already established appropriate channels for communications and are more likely to be viewed as credible in how you are dealing with the issue.”

“The 2012 season, while quite successful by all measures, marked only the early stages of a recovery for

Colorado’s cantaloupe industry,” says Lipetzky. “Support from the retailers was key to getting cantaloupe back in front of consumers in 2012, and their continued support will be critical to further expanding production and sales in 2013.”

Although the future depends, as always, on growing conditions, Hiramata vowed that RFGA would keep moving forward, expanding the cantaloupe market while maintaining vigilance on quality and safety. Plans are being made for other melons to join the famous Rocky Ford cantaloupe and brand extensions are being conceived that will use the seconds (melons with surface imperfections) in processed products, giving growers and consumers more of the sweet, juicy Rocky Ford goodness. ■

USDA-supported programs help Mali farmers adapt in hard times



By David Taylor
Communications Officer,
Aga Khan Foundation U.S.A.

Editor's note: This article is provided courtesy of the Aga Khan Foundation U.S.A. It was written prior to the upsurge in fighting in mid-January.



On the day before Thanksgiving, Mary Beth Leonard, the U.S. ambassador to Mali, took a trip to see how the farm families and grower cooperatives of Mopti, eight hours northeast of Bamako, the capital, are coping in the challenging conditions of this west African nation.

Making a living by farming is never easy, but if you want a real test, try it in Mali. The landlocked country on the edge of the Sahara Desert ranks just 12 runs up from the bottom of 187 countries listed on the 2011 Human Development Index by the United Nations Development Program. One child in three here suffers from chronic malnutrition. In the past year, a food security crisis, caused by erratic rainfall and spikes in food prices, has further hurt Mali's farm families.

Following a coup in March 2012, conditions got worse. Rebel and Islamist groups took control of northern Mali, claiming independence for an area covering roughly two-thirds of Mali's land area. More than 300,000

people fled northern Mali in the face of ethnic and religious persecution and human rights violations. Many displaced people sought refuge in the Mopti region, pushing that area's fragile limits.

Residents of the Mopti region face an unpredictable climate, poor access to markets and harsh seasons of food insecurity. Nearly 79 percent of them live in extreme poverty. So Ambassador Leonard was visiting families tested by a double whammy of a food crisis and civil unrest.

She found glimmers of hope. In a situation that requires a multi-pronged response involving health, education and livelihood training, USDA and its partners are giving Malians a chance

Facing page: The marketplace in Djenné, in the Mopti Region of Mali, features many items from farmer cooperatives. Photo by Lucas Cuervo Moura, courtesy Aga Khan Foundation. Ambassador Mary Beth Leonard (below) greets participants in a farmer field school who are learning ways to improve their yields of rice, millet and sorghum. Photo by Duden Yegenoglu



through better skills and opportunities.

Season training

On Nov. 21, Ambassador Leonard got a close-up look at programs that provide crucial help to farmer co-ops and other groups, including several managed by the Aga Khan Foundation U.S.A. (AKF USA), which has long supported farm training and livelihoods in Mopti. Its programs ensure that farm families have the materials and skills for off-season agriculture, while building their resilience against future crises.

With funding from USDA, AKF has also scaled up efforts to prevent and treat child malnutrition through support of school-feeding programs, by educating parents about nutrition and

by training community health workers. With the threat of political unrest and food insecurity, new funding from USDA and the U.S. Agency for International Development is helping to respond to the area's most urgent needs.

The ambassador's convoy visited the village of Soufouroulaye, where an AKF-managed farmer field school brings together women who grow millet, sorghum and cowpeas. Farmer field schools are essentially schools without walls, where farmers learn from each other through hands-on experience in their own fields and find answers to shared problems themselves.

The USDA grant helps nearly 24,000 farmers of rice, millet and

sorghum (and 4,000 cowpea producers) address shared problems and improve food security during the "hungry season," before harvest. During a morning meeting, they discussed how intercropping cowpeas with millet and sorghum improves soil fertility and boosts yields for millet and sorghum.

Next stop: a livestock group in the same village where women who breed livestock were gaining field-based instruction on how to best fatten their animals when feed is scarce. The area has 14 such women farmer groups.

"It really is wonderful to come on a trip like this and see what this means for people," Ambassador Leonard said in an interview with Catholic Relief Services.

At the village of Sevare, she stopped to visit rice farmers who received market development training, funded by a USDA Food for Progress grant. The training helps them diversify their production and increase farm revenues. The training, organized by ACDI/VOCA, improves the ability of farmer co-ops and groups to get a higher value from their crops and improve their processes for marketing.

Making a business of farming

As the ambassador looked on, farmers learned how to deal with marketing obstacles and how cooperatives can pool their members' production to grow economies of scale.

The USDA grant helps 20 cooperatives provide market guidance to their members. Through this, 5,000 farmers around Mopti substantially boost their income from millet, sorghum, rice and vegetables.

AKF instructors also teach another popular course, Farming as a Business, which features value-chain analysis, business planning and how to establish economic interest groups.

Making for healthier kids

Before leaving Soufouroulaye, Ambassador Leonard spoke with women growers who met to improve their vegetable production and marketing, which in turn helps their family's nutrition and food security. Bintou Toulema, a 35-year-old local farmer with a son and a half dozen other family members who depend on her, spoke a few months before about how the training and support helped her family.

"The training is a good thing," Toulema said, noting that the program also helped provide the group garden with a well and protective fences. But the main thing, she said, is that "we can build on the training." She now earns twice as much from the group's vegetable garden as she made during previous seasons from other work.

"There's a marked improvement in my income. The increase let me buy two small goats this year and start other ventures like trading in rice."

The program also supports schooling for children displaced by the unrest further north, providing school supplies for displaced children and their teachers. It also supplies health supplies for the students (such as mosquito nets to protect against malaria) and their classrooms (such as disinfectant).

"I think this is a positive story," said Steve Mason, CEO for AKF Mali. "AKF is committed to improving people's quality of life in Mopti Region."

Mason added that AKF's approach to reducing rural poverty, known as Multi-Input Area Development, weaves together basic education with health and livelihood programs. The women's farmer groups build fundamental literacy skills through more than two dozen mini-libraries and classes associated with the groups. The mini-libraries get most use between July and October, before the rainy season, when most people work the crops.



Women vegetable growers in Mopti have received training in better production techniques and market information, with USDA support. Photo by Lucas Cuervo Moura, courtesy Aga Khan Foundation

"In spite of the painful events, Aga Khan Foundation is one of the few non-governmental structures that is working with rural populations on the ground," Levy Doungnan, a reporter with Radio Jamana Djenne, wrote in an article in Les Echos, a French-language newspaper published in Bamako.

New types of financing for farm groups

In her last visit of the day, the ambassador stopped at the Sevare office of Premiere Agence de Microfinance (PAMF), an agency of the Aga Khan Development Network. Through the USDA grant, PAMF improves access to financial services that smallholder farmers would not otherwise get. PAMF makes loans to farmers trained in the AKF field workshops so that they can obtain (for example) irrigation wells for vegetable growing, equipment and post-harvest financing.

Three-quarters of the loans are group loans for farming and livestock enterprises, many of them run by women. PAMF has tested new types of loans with these groups, including "inventory credit group" loans. For these loans, cooperatives trained in post-harvest techniques can store their harvest securely and each member receives credit according to his or her portion. This allows farmers to save their harvest to sell later when they can get a higher price.

Ambassador Leonard returned to the capital impressed. "The assistance that the international community gave did actually help these people to come through this period, and so now we can look forward hopefully to a brighter future," she told CRS. Back in Bamako, she looked forward "to supporting the resilience, so that there's better agricultural production and so they're better equipped to deal with such challenges in the future."

As the next day dawned, the farmers of Mopti were back at work. ■



Bio-energy impact, base capital financing among topics at Farmer Co-op Conference

Several panelists shared the view that development of bio-energy (such as this ethanol plant) is reducing agriculture's reliance on commodity support programs.

By Bruce J. Reynolds, Ag Economist
Cooperative Programs
USDA Rural Development
Bruce.reynolds@wdc.usda.gov



The annual Farmer Cooperative Conference, organized by the University of Wisconsin Center for Cooperatives (UWCC), provides a forum for keeping up to date on major economic and cooperative trends. The 15th annual conference was held in Minneapolis Nov. 8-9. The longevity of the event indicates a continuing interest in farmer cooperative practices and developments.

Previous conferences focused on specific topics, such as risk management, governance and finance. This year's conference, "Leading Change: Envisioning the Future," took on a range of critical topics, reflecting the complex interactions of issues in today's economy. As in previous years, UWCC has posted conference proceedings on its web pages: www.uwcc.wisc.edu/outreach/FCC/Current/program.html.

The conference, which opened two days after election-day, featured appearances by two prominent national farm leaders: Chuck Conner, president of the National Council of Farmer Cooperatives and a former U.S. deputy secretary of agriculture, and Dan Glickman, former congressman and U.S. secretary of agriculture. Both added insights on the political landscape in the wake of the election and what it might mean for farmers.

Other conference highlights are described below.

Bio-energy growth foreseen

Bio-energy has contributed to the income of U.S. grain farmers in recent years and is an important factor in the development of a new farm bill. Gary Haer, a vice president with the Renewable Energy Group, predicted continued growth in bio-energy.

Glickman and other panelists shared the view that bio-energy is reducing agriculture's reliance on USDA's commodity support programs. Yet, farm income from bio-energy also increases the need for risk management. Specifically, the recent expansion in U.S. petroleum and natural gas was not generally predicted three or four years ago.

The shift of the United States from being a major importer of energy to a significant producer of energy will involve adjustments in the marketing of bio-energy.

Government policy was also discussed as it pertains to anti-trust and farmer cooperatives. Michael Lindsay, partner in Dorsey & Whitney in Minneapolis, gave an overview of recent court decisions that pose a potential threat to maintaining the limited exemptions from anti-trust, as legislated in the Capper-Volstead Act of 1922.

A series of recent challenges have centered on fine points of the law as applied in cases where a non-farmer-owned business participates in market supply with cooperatives (mushrooms), use of product certifications (eggs) and pre-

production coordination (potatoes). *Editor's note: for more on this topic, see page 22.*

Transitioning to base capital plans

Ways to improve cooperative operations is always a topic of great interest at such gatherings. Financial experts have for many years recommended cooperatives convert from discretionary equity redemption programs to base capital plans, yet the majority of co-ops have not made the change.

Two managers discussed the transition of their cooperatives to base capital plans. Foremost Farms USA has recently had a surge in member turnover as older farmers have retired. Michael Doyle, Foremost's vice president for finance, emphasized the importance of placing ownership and financing into the hands of current members, in proportion to their use.

MGB Marketing is another cooperative that transitioned from a traditional equity revolving program to a base capital plan. As an international marketer for U.S. blueberry growers, MGB has adopted aspects of new-generation cooperatives, such as member delivery rights, but it has kept the traditional practice of one member, one vote.

Lorrie Merker, director of grower and industry relations for MGB, pointed out the importance of member financing for the co-op with its value-added marketing and frozen blueberry operations. It participates in several joint ventures, including fresh blueberry marketing with Chilean growers. This affords mutual gains from seasonality differences in the two hemispheres. As often happens, however, international partners can also become competitors, as occurs with Chile when it markets frozen blueberries.

A "best practice" that has not often been discussed is the building of a safety culture in cooperatives for the benefit of employees and members. The programs that several cooperatives are implementing were described by Michael Boland of the University of Minnesota and Todd Ludwig, President/CEO of WFS (Working for Farmers' Success) Cooperative. The distinctive idea is to make safety more than a set of procedures, but also a cultural change where employees and members are all involved in finding safer and better ways to operate a cooperative (*see page 4 of this issue for more on this effort*).

Ove Hansen and Quintin Fox of Gay Lea Foods gave a presentation on developing member leadership. Their cooperative has an extensive director and delegate education program. In addition to pursuing best practices of

governance, the Gay Lea Foods directors are closely involved with an ongoing dialogue with management on strategic directions. Their process of both development and engagement of the board is an excellent model for many cooperatives to review.

International reach of co-ops

Many U.S. cooperatives are involved with both exporting and with projects to improve agricultural productivity in developing countries. Brett Stuart of Global AgriTrends presented data indicating the severe pressure on the world's poor from the impact of food price inflation, and substantial impacts in the demand for corn and other feeds from China's growing economy. Many U.S. farmers will benefit if increases in corn and pork exports occur as predicted. U.S. farmers are also benefiting from the involvement of their cooperatives in the service economy of assisting foreign producers to improve food quality and agricultural productivity.

Two cooperatives made presentations about their international services and trade relations. Doug Wilson, CEO of Cooperatives Resources International (CRI), a dairy genetics, testing and livestock marketing cooperative, described its successful ventures with foreign partners, particularly cooperatives. Similar to MBG, CRI has partners who are also competitors, but their involvement with international cooperative dairy services is expanding the global market for everyone's benefit.

Land O'Lakes has for many years both exported products and inputs as well as worked on dairy improvement projects throughout the world. Carol Kitchen, senior vice president and general manager for the co-op's Global Ingredients division, gave a presentation entitled "Linking Commercial and Development Opportunities in the Global Marketplace."

After she described projects in several continents of the world, she was asked how helping China's dairy industry helps U.S. farmers. Kitchen's answer amplified the title of her presentation. She noted that someone else will step in to improve

dairy production in China in any event. Those who will gain future trade and business opportunities will be the ones who were involved in building relationships there.

Cooperative valuation

Valuations of cooperatives are often complex when consideration is given to all the benefits they provide to members. Ways to improve the accuracy of valuations in pre-merger studies and acquisition planning was the topic of a panel discussion that included lawyers Mark Hanson of Stoel



The Farmer Cooperative Conference helps keep co-op leaders up to date on issues that are vital to producers and their co-ops.

Rives and Michael Weaver of Lindquist & Vennum, and an accountant, Timothy Muehler of CliftonLarsonAllen LLP, all based in Minneapolis.

About 70-80 percent of mergers fail to equal the combined performance of each cooperative when they were operating separately, it was noted. Excessive optimism in valuations reflects a common fallibility, as witnessed by boom-bust cycles in the economy.

Pre-merger valuations of a business often assume that an increase in the size of a business will result in better market access, as well as opportunities to reduce staff duplication. Such assumptions can too easily be made without thinking through the consequences of changing the ways these separate cooperative business operations evolved to develop the distinctive efficiencies with the resources they have.

It is unlikely anyone will ever develop a fool-proof check-list to prevent excessive pre-merger or pre-acquisition valuations. But the panelists recommended a strategic approach of identifying specific strengths that a merger would capture and weaknesses that would be ameliorated. Focusing on specific sources of new value is a better guide than easy assumptions that bigger is better.

Re-establishing a cooperative with a new value proposition does not happen often, so it was especially interesting to learn about the renewal of CBH, an Australian wheat co-op, from Terry Cunningham, company secretarial services manager. The gradual deregulation of its grain market over a 30-year period, starting about 1980, forms the backdrop of its story.

Initially the cooperative operated as a grain handling business. Earnings were regulated by the Australian Wheat Board. As the market began to deregulate, the co-op looked at various corporate forms and merger possibilities, but the membership was divided over the future direction of the business.

CBH staff and directors held extensive meetings with members and traveled to Canada and the United States to meet with other cooperatives, such as CHS Inc., and with university economists as they studied alternative organizational forms. By 2009, CBH completed its

cooperative re-organization which was based on a policy of maximizing grain payments and reducing fees for members, without distributing patronage dividends. CBH's earnings are entirely reinvested in its grain handling infrastructure to keep increasing efficiency.

As background to CBH's "no patronage dividend" policy, the Australian government had passed a tax exemption in

1972 for all earnings re-invested in grain cooperatives. However, this tax plan involved a fixed payment to growers, as determined by the Wheat Board, and prohibited distribution of dividends to cooperative members.

After deregulation, tax policies changed but CBH members chose to adhere to a "no patronage dividend" policy, instead reinvesting all earnings in the cooperative. This type of policy raises enterprise value and the incentive to sell the cooperative. However, in the event of a sale or dissolution, government taxation would be sufficiently large that little cash value would remain for its former members.



CRI representatives visit a Russian dairy farm, which participates in a dairy genetics joint venture with the U.S. co-op.

The value of cooperatives was a major topic of conferences throughout the world in 2012 as part of the International Year of Cooperatives. Michael Cook, a professor at the University of Missouri, pointed out some of the differences in how U.S. and foreign co-ops create value for members. Similar to CBH, many non-U.S. cooperatives do not distribute patron dividends. Cook pointed out that many non-U.S. cooperative members believe that patron dividends would diminish the solidarity of their cooperatives.

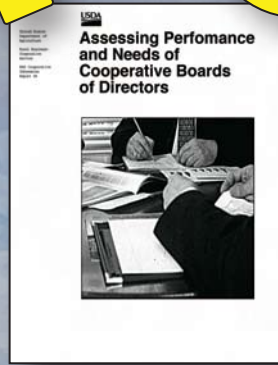
An objective of the International Year of Cooperatives was to increase public awareness of all types of cooperatives. Much of the lack of awareness about cooperatives can be remedied with better collection of co-op data. Cook noted the collection of U.S. cooperative data by the University of Wisconsin Center for Cooperatives (UWCC), and its report — Research on the Economic Impact of Cooperatives (<http://reic.uwcc.wisc.edu/default.htm>) — is helping to address this need. The 2013 conference will again be held in Minneapolis, with the date still to be determined. For updates, check the UWCC website for updates: <http://www.uwcc.wisc.edu/>. ■

Tune up your CO-OP



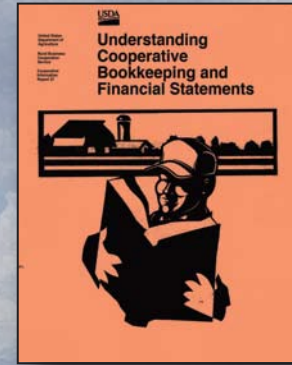
Co-ops 101: An Introduction to Cooperatives (CIR 55)

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.



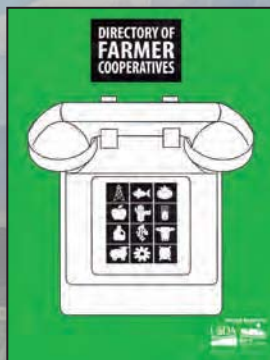
Assessing Performance and Needs of Cooperative Boards of Directors (CIR 58)

This report helps directors assess a) their individual abilities and areas needing improvement; b) how well the board performs and how it can improve; and c) the productivity and effectiveness of board meetings.



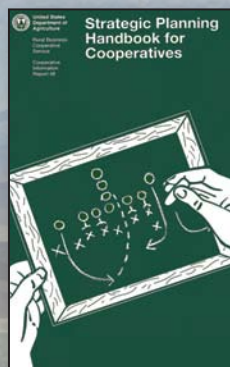
Understanding Cooperative Bookkeeping and Financial Statements (CIR 57)

All co-op board members should understand bookkeeping and be able to read financial reports. This guide provides the basics in bookkeeping and cooperative financial statements.



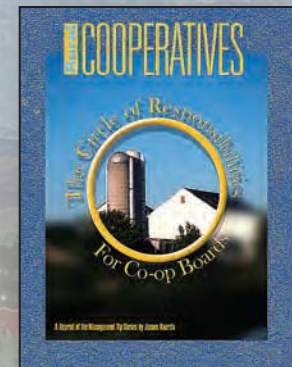
Directory of Farmer Cooperatives (SR-22)

Contains a listing, by State, of over 1,200 farmer-owned marketing, farm supply, service, fishery, and bargaining cooperatives. Includes each cooperative's contact information, type of cooperative, and products sold. This directory has been updated every four years but now will be updated yearly and revised on our Web page (www.rurdev.usda.gov) whenever information in an individual listing changes.



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.

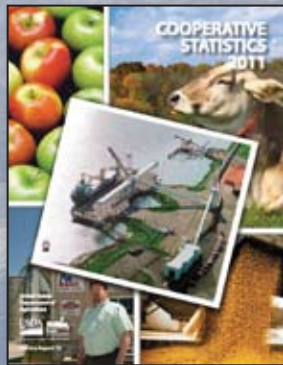


The Circle of Responsibilities for Co-op Board Members (CIR 61)

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>.



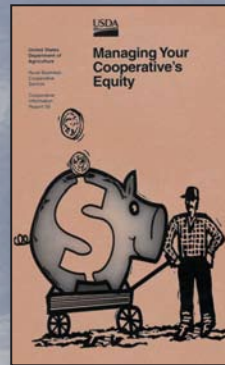
Cooperative Statistics 2011 (SR 72)

Want to know how your co-op measures up? Need to know the latest co-op production and financial trends? It's all in here.



Guide to Designing Benefit Packages for Cooperatives (SR 36)

Attracting and keeping productive employees is a major challenge for co-ops. Here's a guide to building compensation packages that help do that while keeping the balance sheet in the black.



Managing Your Cooperative's Equity (CIR 56)

Do you manage your co-op's equity, or does it manage the co-op? Here's a guide to more effectively managing equity capital while adhering to cooperative principles.



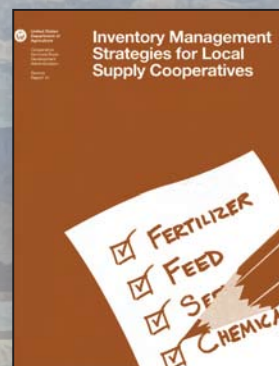
Annual Audits – Board Responsibilities (CIR-41)

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.



Inventory Management Strategies for Local Supply Cooperatives (SR 41)

Presents vital strategies for farm supply cooperatives to use during everyday management of inventory. Can help co-op managers make better inventory management decisions by using those strategies as part of an organized plan.

Antitrust challenges facing farmers and their cooperatives

By Marlis Carson and Donald Frederick

Editor's note: Carson is general counsel with the National Council of Farmer Cooperatives in Washington, D.C. Frederick is former program director, Law, Policy and Governance with Cooperative Programs of USDA Rural Development (retired).



This article reviews antitrust law as it impacts agricultural producers who market their products on a cooperative basis and brings readers up to date on related challenges to cooperatives. The story begins with the enactment of our nation's basic antitrust law, the Sherman Act of 1890.

The Sherman Act

For the first three quarters of the 19th Century, most American businesses were small, organized as a sole proprietorship or a partnership of a few people, managed by their owners, required little capital, produced a single product and served local markets.

By 1890, a new industrial structure was taking shape. A relative handful of large corporations were gaining dominance in many key industries. In these organizations, management was separate from ownership, large amounts of capital were used to acquire machinery and other fixed assets, and many products were produced and sold in a national or international market. Farmers and their cooperatives were caught up in this change and influenced by the public and government responses to it.

Some of these large corporations were organized as business trusts. Competing companies would place their assets in a trust and the organization would be run by a board of trustees. A backlash developed among smaller businesses that had difficulty competing with the trusts and customers of

these trusts, and it became known as the “antitrust movement.”

Critics of trusts gained a valuable ally in Senator John Sherman, widely recognized as the ablest financial expert in public service at the time. Legislation enacted in 1890 to limit the power of trusts is commonly known as the Sherman Act because it would not have passed without his support.

Section 1. The Sherman Act has only two brief provisions. Section 1 provides:

- *Every* contract, combination (trust or otherwise), or conspiracy that restrains trade is illegal and
- Every *person* who signs a contract or participates in a combination or conspiracy that restrains trade in interstate or foreign commerce is guilty of a felony.

As written, Section 1 of the Sherman Act sets a very tight standard. It says *every* contract, combination, or conspiracy that reduces competition is illegal and every *person* who participates in such conduct is guilty of a felony.

The word “person” is highlighted because in the eyes of the law, every individual or entity is a “person.” A small family dairy farmer is on the same footing as global conglomerates.

So, if it is illegal under the Sherman Act for large companies to agree on the prices they will charge for their products, it is also illegal for two family dairy farmers to agree on the prices they will charge for their products.

Section 2. Section 2 provides that every person who monopolizes, or attempts to monopolize, or combines or conspires with any other person to monopolize any part of interstate or foreign commerce is guilty of a felony.

Section 2 also sets a tight standard. Not only is every person who monopolizes any part of commerce guilty of a felony, but so is anyone who attempts to establish a



President Herbert Hoover (seventh from left) meets with a contingent of Kansas farmers and Arthur Capper (next to Hoover, in dark coat) in December 1929.

monopoly, even if that person isn't successful.

Rule of Reason. Early court decisions applied the Sherman Act in a literal manner, holding even modest restraints of trade illegal.

In 1911, the Supreme Court issued a landmark decision interpreting the Sherman Act. In deciding that Standard Oil and American Tobacco were illegal conspiracies to restrain trade, the Supreme Court moved away from this literal reading of the Sherman Act and established the test that is still the basic standard for applying the Sherman Act: the Rule of Reason.

Under the Rule of Reason, only agreements that unreasonably restrain trade are illegal. This is a very subjective test that requires judges and juries to interpret often complex facts in deciding whether certain conduct violates the Act or not.

The standard most often applied is conduct is generally found to be reasonable (and therefore legal) if the benefits to society as a whole (including the firms involved) outweigh the harm to competition. This is hardly a bright line test offering clear guidance to businesses and their leaders trying to plan future conduct.

Rule of Per Se Illegality. The Court also adopted a corollary rule to the Rule of Reason: the Rule of "Per Se" illegality. Under this standard, some conduct is so inherently unreasonable that it is illegal whenever undertaken, including:

- Price fixing;
- Territorial allocations (as when one person, for example, agrees not to do business in Illinois if a competitor won't do business in Indiana);
- Group boycotts (no one will sell to Joe Smith until he agrees to pay our price);

- Tying arrangements (example: if you want to buy my butter, you also have to buy my ice cream).

At the top of the list of activities that the courts have held to be illegal "per se" is price fixing. And what do farmers do when they market their products on a cooperative basis?

They agree on prices and other terms of trade, "per se" violations of antitrust law.

Clayton Act, Section 6

In 1914, two additional laws to curb anti-competitive business conduct were enacted.

The Federal Trade Commission Act created the Federal Trade Commission to investigate and order an end to "unfair methods of competition."

The Clayton Act prohibits certain business practices when the effect may be to substantially lessen competition, including price discrimination among customers, tying agreements and mergers and acquisitions.

Section 6 of the Clayton Act was the first legislative recognition of the unique needs of farmers and their cooperatives. It states that the antitrust laws shall not forbid the existence and operation of labor or agricultural organizations without capital stock and not conducted for profit.

While Section 6 of the Clayton Act was a step in the right direction for farmer marketing associations, it fell short of providing necessary protection for a couple of reasons:

- While it says producers can form co-ops, it doesn't say what collective conduct they can engage in;
- Section 6 only protects cooperatives without capital stock, and many marketing associations were organized as stock-issuing companies.

Cooperatives and their supporters asserted that Section 6 of the Clayton Act might be adequate for labor unions, but it was not enough protection for producer marketing associations.



Capper-Volstead Act

In 1922, Congress responded to producer concerns by passing the Capper-Volstead Act. While it has a technical name, like the Sherman Act it became known by the names of its primary supporters, Senator Arthur Capper and Representative Andrew Volstead.

Capper-Volstead includes co-ops that issue capital stock and goes beyond just saying qualified producer associations are exempt. It provides a positive statement that producers can engage in several types of collective marketing activity. It also contains safeguards to protect the public from abusive conduct by farmers.

Section 1. Like the Sherman Act, Capper-Volstead contains two relatively brief provisions. Section 1 describes the scope of the limited antitrust protection provided.

Under Section 1, persons engaged in the production of agricultural products may:

- Act together in associations, corporate or otherwise, with or without capital stock;
- Collectively process, prepare for market, handle, and market their farm products.

Producers have a great deal of flexibility under Capper-Volstead in deciding how they will market their production. Some cooperatives, called bargaining associations, limit their activity to negotiating prices and other terms of the contracts that govern the sale of their members' products directly to buyers.

Other cooperatives, such as Land O'Lakes and Ocean Spray, have integrated forward to the point that they put processed versions of their members' product right on the grocery store shelf.

There are numerous degrees of value-added activity that fall between these two extremes. These include selling raw product on a collective basis and producing finished goods

for the institutional and private-label markets. All levels of collaborative activity are protected.

Section 1 also authorizes collaboration among cooperatives. Such associations may:

- Have marketing agencies in common (federated co-ops, LLCs, partnerships, etc.);
- Enter into contracts and agreements to coordinate their collective marketing activity.

Several court decisions have indicated that producers may, through a single cooperative or in combination with other cooperatives, obtain monopoly power if it is achieved through natural growth, voluntary confederations and without resort to abusive practices. Thus, obtaining a large market share does not, absent unprotected conduct, compromise Capper-Volstead's antitrust shield.

Section 1 also provides the organizational and operational rules co-ops must follow to be eligible for its protection.

They must:

- Limit membership to agricultural producers;
- Operate for the mutual benefit of their members as producers (conduct not directly related to marketing agricultural products is not protected);
- Either use one-member, one-vote or limit dividends on equity to 8 percent per year, and
- Do a majority of their marketing for members, measured by value.

A couple of points to remember:

- All voting members must be producers. Even one non-producer in the membership (especially if that non-producer happens to be a buyer or competitor) may revoke the antitrust protection.
- The amount of non-member business permitted is quite liberal; almost 50 percent of the products handled may be from non-members. This allows co-ops to seize

business opportunities requiring product beyond what the membership can produce.

Section 2. Section 2 of Capper-Volstead provides another check on cooperatives. It authorizes the U.S. secretary of agriculture to order an association that monopolizes or restrains trade to cease any anti-competitive conduct that unduly enhances the price of an agricultural product. If a co-op does not abide by any such order, the U.S. Department of Justice is empowered to enforce the order.

Rationale for Capper-Volstead. From well before 1922 and continuing into the foreseeable future, individual farmers are at a severe disadvantage in the marketplace when dealing with typical entities buying their products. Co-ops level the playing field.

Some argue antitrust protection for agricultural producers is no longer justifiable. They point to some larger commercial farmers and farmer cooperatives and say these entities shouldn't be allowed to agree on prices and other terms of trade.

Given the increasingly concentrated and global economy, however, large buyers are — if anything — increasing their market power. They can negotiate down prices paid to farmers, even playing farmers in one country against those in other countries that produce the same products. Cooperative leaders thus view Capper-Volstead as being as vital to producers today as it was at the time of enactment.

In summary. Under Capper-Volstead, producers may:

- Agree among themselves on the prices they will accept for their products and all reasonable terms of trade;
- Limit their collective activity to establishing a floor price or integrate forward throughout the food marketing chain;
- Collectively market their products with producer-members of other co-ops by having the firms use a common marketing agency, form a federated cooperative, or simply work together to accomplish their marketing objectives.

Unprotected Conduct. Capper-Volstead is not applicable when producers engage in other collective activity. This doesn't mean such activity is illegal under the antitrust laws because it is not protected by the Act. If challenged in the courts, it will be judged under the same "rule of reason" and "rule of per se illegality" standards applied to similar conduct between non-cooperative firms.

Conduct not protected by Capper-Volstead includes:

- Contracts and other agreements with persons who are neither producers nor associations of producers;
- Mergers, acquisitions and other combinations with non-cooperative firms;

- Actions that are "predatory" in nature (anti-competitive and without business justification or solely aimed at eliminating competition, such as blocking the door to a competitor's warehouse);
- "Unduly" enhancing prices. (To date, no cooperative has been found to have "unduly enhanced" prices.)

Fishermen's Collective Marketing Act

In 1934, a law was enacted that provides essentially the same antitrust protections for fishermen and their cooperatives as Capper-Volstead does for agricultural producers.

- Section 1 authorizes fishermen to engage in collectively catching, producing, preparing for market, processing, handling and marketing aquatic products. It also contains the same organizational and operational rules as section 1 of Capper-Volstead.
- Section 2 contains similar enforcement provisions as Capper-Volstead, but authority is placed with the U.S. secretary of commerce.

This law is obviously important to cooperatives that operate in the fishing industry. And since the laws are similar in many ways, legal interpretations of this law can be valuable in assessing how the courts will judge certain types of conduct by agricultural cooperatives.

Current challenges

The antitrust protection accorded farmers and their cooperatives by Capper-Volstead is seldom free from investigation and challenge. Next we look at a recent government study that included Capper-Volstead and four ongoing civil suits that could impact the cooperative system.

Antitrust Workshops. In 2010, the U.S. Department of Justice, Antitrust Division, and the U.S. Department of Agriculture held five workshops around the country to explore competition in agriculture. Arguments for and against Capper-Volstead as currently written and interpreted were raised at several of these workshops.

In May 2012, the Department of Justice released a 24-page report summarizing the testimony but not recommending any additional legislation or regulatory oversight. However, Justice has made it clear that it will continue to challenge in court cooperative activity that it believes to be outside the protection of Capper-Volstead. And if the courts sanction cooperative conduct that it believes is harmful to competition, it will pursue legislative changes in the law.

Mushroom Case. We next focus on civil suits that challenge agricultural producer conduct as a violation of antitrust law. The first involves a mushroom producer cooperative.

Beginning in 2001, the Eastern Mushroom Marketing

Cooperative (“EMMC”) purchased several properties that had been mushroom farms. EMMC then resold the properties after placing restrictions in the deeds which prohibited future use of the land to grow mushrooms.

The U.S. Department of Justice Antitrust Division notified the co-op that it believed the deed restrictions violated antitrust law and were not protected by Capper-Volstead. In 2005, to avoid protracted litigation, EMMC settled with Justice and removed the restrictions from the deeds.

The producers hoped this would be the end of their problems. However, in early 2006, several firms that purchased mushrooms filed lawsuits against EMMC, several members and several non-members in a Federal District Court in Pennsylvania. Issues raised include:

- Was Capper-Volstead protection compromised by (1) the inadvertent sign-up of a non-grower entity as a member and (2) the membership of vertically integrated grower entities?
- Was the co-op’s supply management program (deed restrictions) conduct protected by Capper-Volstead?

In 2009, the trial court judge said that one non-producer entity that became a voting member in the co-op through a bookkeeping error voided the co-op’s Capper-Volstead protection. The U.S. 3rd Circuit Court of Appeals said it won’t review that ruling until the case is decided.

The case is still in pre-trial proceedings.

Egg Case. In 2008, several purchasers filed lawsuits in the same Pennsylvania court against numerous companies that produce eggs and processed egg products, including one co-op, United Egg Producers. These suits allege defendants engaged in illegal supply management by:

- Increasing the size of chicken cages and thus reducing the number of egg-producing chickens;
- Exporting eggs at a loss to increase domestic egg prices.

The defendants have filed motions to dismiss the case on several grounds. Discovery and other proceedings have been stayed awaiting a ruling on various motions to dismiss.

Potato Case. In 2005, several potato marketing associations formed United Potato Growers of America (UPG) to manage the supply of potatoes reaching the market and thereby raise prices above the cost of production. Members contributed funds to UPG which used the money to pay growers not to raise potatoes.

In 2010, several purchasers of potatoes sued UPG in an Idaho Federal District Court claiming the membership illegally:

- Agreed to reduce the supply of potatoes to raise prices;
- Included vertically integrated potato producers.

In December 2011, the trial court issued a non-precedential memorandum opinion that Capper-Volstead does not protect pre-production supply control activities such as acreage reductions and production restrictions. The judge also questioned whether vertically integrated members are permitted under the Act. Additional motions to dismiss are pending, and the Capper-Volstead issues have not been resolved as yet.

Dairy Case. Cooperatives Working Together (CWT) is a voluntary, producer-funded program developed by the National Milk Producers Federation (NMPF). One of CWT’s programs was designed to strengthen and stabilize milk prices by paying dairy farmers to reduce herd sizes.

In 2011, animal rights groups sued the NMPF and several

large dairy co-ops in a California Federal District Court alleging that the CWT program illegally increased milk prices to consumers and that the defendants aren’t protected by Capper-Volstead.

These cases raise issues that are important not only to the producers and co-ops involved, but also to the ag industry as a whole.

The defendants

filed motions to dismiss on several grounds, including asserting that the court lacks subject matter jurisdiction because the Capper-Volstead Act vests the U.S. secretary of agriculture with exclusive jurisdiction over the issues in dispute. In October 2012, the court rejected the defendants’ argument and denied the motions to dismiss. The case is continuing with pre-trial proceedings.

Issues under review

These cases raise three issues that are important not only to the producers and co-ops involved but also to the agricultural industry as a whole.

1. Are pre-production supply controls agreed to by co-op members protected as “preparing for market” or “marketing” farm products as those terms are used in Capper-Volstead? A strong case can be made that at the heart of the marketing function of any company, including farmer cooperatives, is the ability to estimate demand in the marketplace and set production capacity to provide adequate supply. For instance, a car company — based on consumer research, industry trends and other proprietary information — estimates the presumed yearly demand for a new model. If the target is 100,000 cars, it is obvious the auto company can

limit the supply produced to 100,000 cars.

Farmer cooperatives must be just as responsive to consumer demands. A cooperative marketing more of a product — whether a bulk commodity or a value-added product — than can be sold will quickly become economically unsustainable.

Two existing decisions seem to support the cooperative position.

- *In Re Washington Crab* — Federal Trade Commission Chair Paul Rand Dixon held fishermen can agree not to fish to limit supply and raise prices (1964).
- *Alexander v. NFO* — The U.S. 8th Circuit Court of Appeals said a two-week voluntary withholding action by milk producers is protected by Capper-Volstead (1982).

2. Is the term “producer” broad enough to include entities that have integrated forward into food processing and marketing?

In a U.S. Department of Justice case against integrated broiler producers that reached the U.S. Supreme Court, both parties made this the central issue of their arguments. However, a majority of the Justices determined one or more members of the co-op, the National Broiler Marketing Association, did not have any broiler production activity and decided the case against the co-op on the non-producer member issue (1978).

Justice Byron White wrote a dissenting opinion arguing that integrated firms with some production activity were allowed in a Capper-Volstead protected cooperative. In response to Justice White, Justice William Brennan, Jr. wrote a concurring opinion stating integrated firms in the membership voided Capper-Volstead. Thus the issue was far from resolved.

Two subsequent events failed to clarify the issue.

- *Texas Produce Marketing Association* — A Department of Justice Business Review Letter provided upon request to the Association concluded that firms that handle, pack and store agricultural products for themselves and other members are “producers” and eligible under Capper-Volstead to be members (1988).
- *Hinote* — In the early 1990s, the Department of Justice brought criminal antitrust charges in a Federal District Court in Mississippi against Samuel Hinote, the president of Delta Pride Catfish Cooperative. Hinote was charged with conspiring with other catfish processors and marketers to fix the wholesale price of catfish.

While most of the other firms involved were, like Delta Pride, owned entirely by catfish producers, two were subsidiaries of ConAgra and Hormel. The trial court judge rejected Hinote's motion to dismiss the charges on the grounds that his conduct was protected by Capper-Volstead.

The judge said that whomever Capper-Volstead was designed to protect, it didn't include ConAgra and Hormel.

The case went to trial and Hinote was acquitted of all charges by the jury. The case died and no appeals were taken on the issue of whether large firms with catfish production could be members of a Capper-Volstead protected cooperative.

3. Is the concept “association of producers” flexible enough to allow a co-op that inadvertently accepts a non-producer as a member to correct the error without having lost its antitrust protection in the interim? Again we have conflicting guidelines in this area.

- *National Broiler Marketing Association* — The Supreme Court seems to take a hard line stance that one non-producer voids protection (1978).
- *Alexander v. NFO* — In its subsequent opinion, the 8th Circuit Court of Appeals finds a few non-producers “sloppily” admitted as members do not void protection (1982).

Possible outcomes

As mentioned earlier, antitrust litigation is complex, costly and time consuming. Results are difficult to project. Here are three possible ways these cases could end and how each might impact farmer cooperative marketing.

1. ***Some or all of these cases could be settled.*** Managing these cases is a serious drain on the resources of all parties and takes management time away from the issues of day-to-day operations. When the fight is between buyers and sellers in the same industry, they can poison otherwise cordial and vital business relationships. So it is quite possible some or all of these cases will be settled before a definitive judicial opinion is issued and no meaningful guidelines for future co-op conduct will be established.

2. ***The co-ops may lose on some or all of these issues.*** This may limit the protection provided producers by Capper-Volstead.

3. ***The co-ops may prevail on some or all of these issues.*** While this would sanction the co-op conduct under review, it could lead to the proposal of amendments to Capper-Volstead that could amend, or even override such decisions.

As these cases are moving through the judicial process, only time — perhaps a great deal of time — will reveal what, if any, impact they have on cooperative marketing by agricultural producers. It is important that all managers with and advisors to agricultural marketing cooperatives keep informed about these and other challenges to Capper-Volstead. ■

Co-op conversions help bring security to manufactured housing owners



Cooperative ownership of manufactured-home communities boosts the pride of residents — such as Sheila Dickerson of Soda Brook Cooperative in Northfield, N.H. — in their homes and neighborhoods. Geoff Forester Photography; all photos courtesy N.H. Community Loan Fund

By Steve Varnum

Director of Communication and Marketing
New Hampshire Community Loan Fund



Like many powerful social movements, New Hampshire's first manufactured-home cooperative began at the intersection of survival and justice. Bob Sirles was a can-do, determined kind of guy. A school groundskeeper, he was used to hands-on problem solving.

By late 1983, he had lived for 10 years with his wife and two sons in Meredith Trailer Park, in the Lakes Region of central New Hampshire.

At the time, real estate sales in New Hampshire were booming, especially around nearby Lake Winnepesaukee, a magnet for boaters and well-heeled vacationers. The blue-collar residents of Meredith Trailer Park, however, reflected little of the area's prosperity. Its owners, an elderly couple, were increasingly unable to keep up with the

13-home-park's needs. Its gravel roads were rutted and potholed, the septic system leaked into a nearby brook and refuse littered some lawns.

In 1983, one of the owners was admitted to a nursing home. His wife needed to sell the park, but feared having to leave her own home, which was located on the same plot. Land for condos and summer homes in the area was selling quickly and fetching top dollar. It wasn't hard to predict what would happen if the park was sold.



Greg MacIntosh tends his vegetables at Barrington Oaks Cooperative in Barrington, N.H. Cooperative ownership and management of manufactured-home parks encourages community projects. Jay Reiter photography

“Most of us just figured we’d be thrown out, so we were looking for solutions — moving, buying something else, renting somewhere, just hanging in and hoping for the best,” Sirles told a newspaper reporter.

“A couple of us tried to go to the bank to buy it as individuals, but we don’t have that kind of credit,” Sirles said. Neither did any resident have the owners’ \$42,000 asking price, or even a significant down payment.

In the meantime, a potential buyer appeared who wanted to close the park, send its residents packing and build apartments.

Co-op seed planted

Enter Rebecca Storey, who was on the steering committee of a brand-new organization: the New Hampshire Community Loan Fund. A graduate student of community economic development, she also shared classes with Sirles’s sister.

Bob Sirles needed help saving his home and those of his neighbors. Storey needed a project to complete her master’s degree. As a Native American, she also felt a deep connection with the plight of the families in the park.

“I identify with people being pushed off their land. These people had been there a long time,” she told a reporter. “I had a real strong feeling they shouldn’t be pushed off, that they must

help themselves.”

Storey, Sirles and a few of his neighbors began meeting around his kitchen table. They developed a “what-if” scenario, based on New Hampshire having passed a law the previous year that recognized consumer cooperatives. What if, instead of trying to buy the park as individuals, the Meredith Center families bought it together? They formed Meredith Center Cooperative in January 1984, as Storey pulled together financial plans and documents.

Local banks weren’t persuaded that the co-op was viable. At least one loan officer didn’t know what a cooperative was.

Some said that even as a co-op, the families didn’t have sufficient credit. They still didn’t have a down payment. Every bank in the surrounding towns turned them down.

So, the co-op leaders turned to the New Hampshire Community Loan Fund, which had incorporated as one of the country’s first community development financial institutions (CDFIs strengthen communities by providing financial services to populations and markets that otherwise lack them) the previous September.

The Community Loan Fund comprised one part-time person, one desk and a bank account containing less money than the residents needed to buy

the park. But the Community Loan Fund’s founders had connected with the Sisters of Mercy, who wanted to invest some of their retirement savings where it would be used for public good.

The sisters loaned the money to the Community Loan Fund, which in turn loaned it to the cooperative to buy the park on June 1, 1984. Meredith Center Cooperative became New Hampshire’s first resident-owned community.

The new owners wasted little time showing how proud they were. They hauled away three truckloads of debris. They installed a new water pump so showers wouldn’t stall when a neighbor flushed a toilet. Before long, they’d begun replacing the septic system.

A pause, then concept explodes

It would be 2½ years before the next New Hampshire manufactured-home park converted to cooperative ownership, but then the concept exploded. During the next 10 years, 35 parks in the state converted to co-op ownership; 46 converted during the following decade.

As interest grew, the Community Loan Fund expanded and refined the services it offered the co-ops to include community organizing, training for co-op boards of directors and other leaders, financing for purchase and improvements, and technical assistance for planning infrastructure projects.

New Hampshire’s 100th manufactured-home co-op converted in February 2012. There are now 103 such resident-owned communities in the state, containing about 5,700 homes. About one in five manufactured-home communities in N.H. is a cooperative; nearly all are in rural areas.

The spread of these communities



Lawrence Shuman, president of Sandy Ridge Estates Cooperative, and other residents purchased an Ossipee, N.H., manufactured-home community, saving the homes of 35 families. The previous owner had been ordered by the state to close the park and evict the families due to substandard water and wastewater systems. Matthew Lommano Photography

was greatly supported by loans and grants from USDA Rural Development, because some park owners became willing to sell when faced with large infrastructure repairs. To date, USDA Rural Development has provided more than \$9 million for critically needed water and wastewater projects in 13 New Hampshire co-ops.

The Community Loan Fund and three other national nonprofits — the Corporation for Enterprise Development (CFED), NCB Capital Impact program and NeighborWorks America, with significant investments from the Ford Foundation and the Fannie Mae Foundation — formed ROC USA LLC in May 2008 to make resident ownership viable nationwide. Through November 2012, ROC USA had converted an additional 27

communities containing 2,122 homes in 31 states.

Affordable and secure

In New Hampshire, as in many rural areas across the United States, manufactured homes are one of the most affordable housing choices. In small towns that lack multi-family apartment buildings, they're usually the only affordable option.

That choice becomes even more affordable in manufactured-home communities, because the need to buy land is eliminated. Instead, a homeowner leases the small lot beneath the house.

Still, homeownership in a traditional investor-owned park is risky. Homeowner-residents have no say in how much they pay for lot fees or

whether that money goes to upgrade the community or to profit. Likewise, they have little say in the creation or enforcement of rules.

At any time the landlord may decide to close the park, evict the homeowners and develop the land. As noted earlier, park owners motivated by profit may ignore failing water, septic and electrical systems, then sell or abandon the property.

Tenants in these parks are captive to any of all of these conditions and uncertainties. Those who object to rents or conditions can be evicted, and those facing park closure have no legal protection — they must move.

In either case, they're likely to lose their homes and all they've invested in them. Gone are the days of being able to hitch a mobile home to a pickup truck and wheel it away; today's manufactured homes are factory-built to the U.S. Department of Housing and Urban Development's national housing code and are anything but mobile.

Moving a home — if it can be moved — costs several thousand dollars. Some towns further limit mobility by restricting the age of manufactured homes that can be moved in.

The experience of New Hampshire's resident-owned communities is that cooperative ownership of the land removes most of those risks and insecurities. The co-ops' members democratically decide the bylaws they'll all live under, what to charge for lot rents, and how that money will be used.

A co-op community cannot be sold without a vote of its residents, and the Community Loan Fund/ROC USA model eliminates a profit motive. Because the communities are incorporated as nonprofit consumer cooperatives, the assets from any sale of the property — after the co-op's bills are paid and members are refunded their shares (usually \$500 to \$1,000) — have to go to another co-op or charitable organization.

Other economic benefits of co-op ownership include access to grants and loans from USDA and other public agencies for needed infrastructure

upgrades and access to fixed-rate home loans with relaxed credit terms and low down payments, offered in New Hampshire by the Community Loan Fund and two partner banks.

Last July, USDA Rural Development created a homeownership pilot program making residents in a Belmont, N.H., co-op eligible for its 502 Single-Family Housing loans. Those loans offer 100-percent home financing at a 3.25 percent interest rate; four other USDA-approved co-ops in New Hampshire are also eligible.

Social benefits

With the stroke of a pen, a cooperative's purchase of its community turns organizers into managers, tenants into co-owners and homeowners into neighbors.

While security is one of the greatest benefits residents enjoy, observers are often struck by the pride and sense of personal investment they experience in the cooperatives.

George McCarthy, director of Metropolitan Opportunity at the Ford Foundation, has listened to co-op residents in their kitchens and living rooms. "The transformation of the people in those communities is profound," he says.

The physical transformation is easy to see. Homeowners, confident that they won't be displaced, plant gardens and flowerbeds, paint their homes and pave their driveways. Some even replace their old homes with newer models.

The common goal of buying, owning and managing a community also creates a greater sense of community.

Florence Quast was a key organizer of the Souhegan Valley Manufactured Housing Co-op in Milford, N.H., when it converted to resident ownership in 1985.

"My proudest accomplishment is helping us become a co-op and buying the park because it's something people said we couldn't do," she says. After the purchase, the co-op made major

continued on page 42

Loan fund boosts ownership through co-ops

From the start, the New Hampshire Community Loan Fund's goals in encouraging cooperative ownership of manufactured-home communities were to create permanent and stable affordable housing, to maximize resident control of their communities and to make co-op membership available regardless of income.

In New Hampshire's resident-owned communities and those using the ROC USA model in other states, status as nonprofit consumer cooperatives makes it very unlikely that the land will be sold out from under any of the manufactured homes.

Secondly, says ROC USA's Paul Bradley, "Resident control puts people most affected by the decisions in charge of making them. In a cooperative park, each homeowner owns his or her home and one share in the cooperative corporation that owns the land. Most co-ops require that one must both own a home and reside in that home in order to become a member."

The third point, affordability of co-op membership, drove the Community Loan Fund's choice of what type of cooperatives these would be. ROC-NH and ROC USA communities are zero-equity cooperatives with low membership share prices. If a resident can't afford to buy a share when the co-op is established, he or she may make a very small down payment on that share, then make affordable monthly payments while enjoying all of the rights and responsibilities of membership.

People who buy a home (or move one into) in a cooperative park pay their membership fee up front, often rolling it into their house financing. ■



Lois Parris, left, of Lakes Region MHP Cooperative in Belmont, N.H., and Florence Quast of Souhegan Valley MH Cooperative in Milford, N.H., are powerful advocates for the rights of manufactured-home owners. Geoff Forester Photography

The Co-op Nature of (the Affordable Care Act) CO-OPs

By Charles Ling, Ag Economist
Cooperative Programs
USDA Rural Development

The Affordable Care Act (section 1322) created the Consumer Operated and Oriented Plan Program (CO-OP Program) to foster the creation of new, consumer-governed, private, nonprofit health insurance issuers (referred to as CO-OPs). These CO-OPs will promote integrated care and improve health plan accountability.

Through the loans authorized by the Act, the goal of the Program is to create at least one new CO-OP in every state to enhance competition in the Affordable Insurance Exchanges (also established under the Act) and provide additional plan choices in the individual and small group markets. The Program is administered by the U.S. Department of Health and Human Services (HHS). The statute and the rules and regulations implementing the Program can be found at <http://www.healthcare.gov/law/features/choices/co-op/>.

The Program-qualified CO-OPs are supposedly modeled on existing health insurance cooperatives and other business cooperatives. The acronym “CO-OP” (note: all letters capitalized) has the same spelling as “co-op,” the abbreviation of the term “cooperative” in common usage.

There is strong interest in the co-op community (and doubtless outside of it as well) to see where these new health CO-OPs lay in the continuum of cooperative business model variations (*Ling*). Based on the Program’s CO-OP standards and related requirements, this article looks into the structure, organization, governance, equity financing, and operation of the CO-OPs to shed some light on their similarities with and

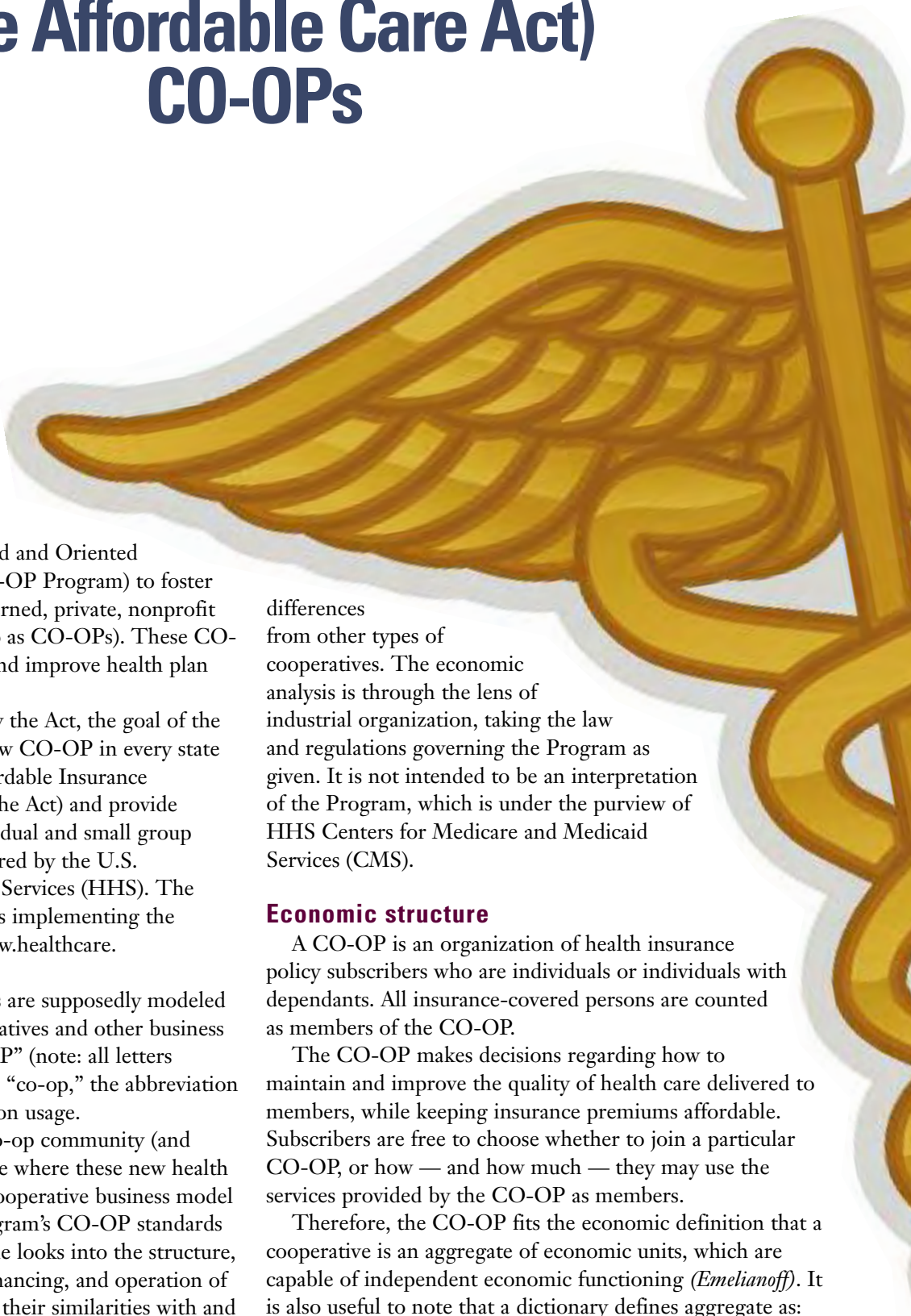
differences from other types of cooperatives. The economic analysis is through the lens of industrial organization, taking the law and regulations governing the Program as given. It is not intended to be an interpretation of the Program, which is under the purview of HHS Centers for Medicare and Medicaid Services (CMS).

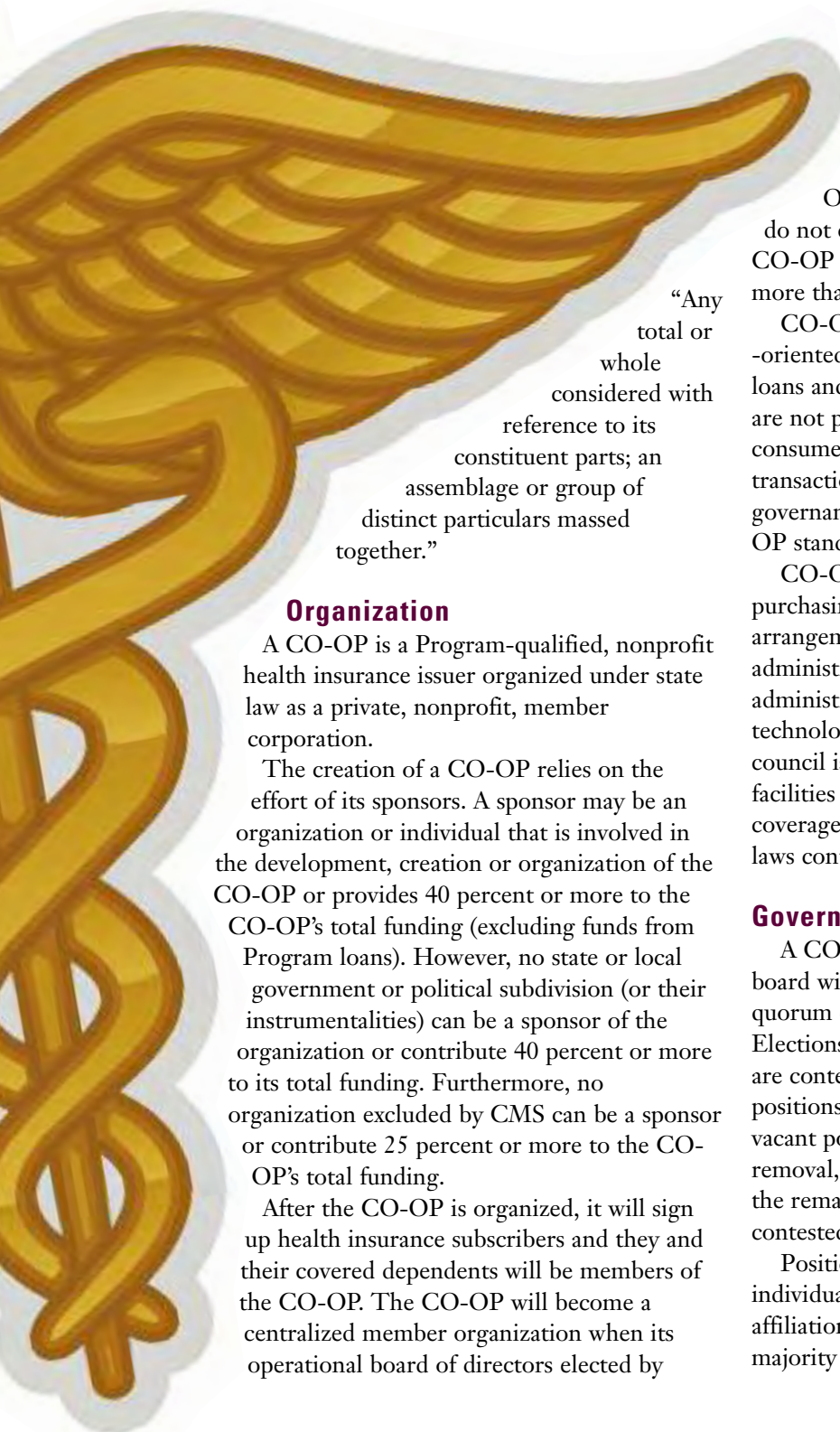
Economic structure

A CO-OP is an organization of health insurance policy subscribers who are individuals or individuals with dependants. All insurance-covered persons are counted as members of the CO-OP.

The CO-OP makes decisions regarding how to maintain and improve the quality of health care delivered to members, while keeping insurance premiums affordable. Subscribers are free to choose whether to join a particular CO-OP, or how — and how much — they may use the services provided by the CO-OP as members.

Therefore, the CO-OP fits the economic definition that a cooperative is an aggregate of economic units, which are capable of independent economic functioning (*Emelianoff*). It is also useful to note that a dictionary defines aggregate as:





“Any total or whole considered with reference to its constituent parts; an assemblage or group of distinct particulars massed together.”

Organization

A CO-OP is a Program-qualified, nonprofit health insurance issuer organized under state law as a private, nonprofit, member corporation.

The creation of a CO-OP relies on the effort of its sponsors. A sponsor may be an organization or individual that is involved in the development, creation or organization of the CO-OP or provides 40 percent or more to the CO-OP's total funding (excluding funds from Program loans). However, no state or local government or political subdivision (or their instrumentalities) can be a sponsor of the organization or contribute 40 percent or more to its total funding. Furthermore, no organization excluded by CMS can be a sponsor or contribute 25 percent or more to the CO-OP's total funding.

After the CO-OP is organized, it will sign up health insurance subscribers and they and their covered dependents will be members of the CO-OP. The CO-OP will become a centralized member organization when its operational board of directors elected by

members is in place.

The CO-OP Program has the goal of having at least one CO-OP in each state and gives priority to CO-OPs that offer qualified health plans on a state-wide basis. Therefore, CO-OPs are most likely local (in-state) organizations that do not cross state lines. When circumstances warrant it, a CO-OP may cover more than one state. States may have more than one CO-OP if Program funds are available.

CO-OPs are to remain nonprofit, consumer-operated and -oriented insurance issuers after they have received Program loans and even after they have fully repaid their loans. They are not permitted to convert or sell to a for-profit or non-consumer-operated entity at any time, undertake any transaction that would result in the CO-OP implementing a governance structure that does not meet the stipulated CO-OP standards, or do things to harm its consumer orientation.

CO-OPs may join together to establish a private purchasing council to enter into collective purchasing arrangements for items and services that increase administrative and other cost efficiencies, including claims administration, administrative services, health information technology and actuarial services. But the private purchasing council is not allowed to set payment rates for health care facilities or providers participating in health insurance coverage provided by the CO-OPs. Further, the antitrust laws continue to apply to any private purchasing council.

Governance

A CO-OP is required to be governed by an operational board with all of its directors elected by a majority vote of a quorum of the CO-OP's members who are age 18 or older. Elections of the directors on the CO-OP's operational board are contested: the total number of candidates for vacant positions on the operational board exceeds the number of vacant positions. In the case of resignation, death, or removal, the CO-OP may fill vacant director positions for the remainder of the relevant term without conducting a contested election.

Positions on the board of directors may be designated for individuals with specialized expertise, experience or affiliation. But the designated directors cannot constitute a majority of the operational board.

No government (federal, state, local, political subdivision or instrumentality) representative or representative of an organization excluded by CMS can be a board member.

The majority of the voting directors on the operational board must be members of the CO-OP (not counting designated directors who are also members). Each director has one vote unless he or she is a non-voting director.

However, in the initial stage of forming the CO-OP and

before it has begun accepting enrollment of insurance subscribers and has an election by the members of the organization to the board of directors, a formation board is to steer its development. The first elected directors of the organization's

CO-OPs are forbidden to ever convert or sell to for-profit or non-consumer operated entities.

operational board must be elected no later than one year after the effective date on which the organization provides coverage to its first member; the entire operational board must be elected no later than two years after the same date.

Equity financing

The initial funding of a CO-OP is supplied by its sponsors and supporters. To help overcome the difficulty of obtaining adequate capitalization for start-up costs and state insurance reserve requirements, CO-OPs may borrow two kinds of low-interest loans offered by the CO-OP Program specifically for these critical activities:

- Start-up loan to provide assistance in meeting the costs of establishing a CO-OP. The repayment period of the loan is five years following each drawdown of loan funds.
- Solvency loan in meeting state insurer solvency and reserve requirements. The repayment period of the loan is 15 years following each drawdown of loan funds.

A CO-OP may borrow joint start-up and solvency loans, or only borrow a solvency loan. By receiving the loans, the CO-OP must adhere to the standards and fulfill all requirements established by the CO-OP Program. It must meet the required CO-OP standards no later than five years following initial drawdown of the start-up loan or three years following the initial drawdown of the solvency loan.

Net savings or surplus funds (revenue in excess of expenses or "profit") of the CO-OP must be used to lower premiums, to improve benefits or for other programs intended to improve the quality of health care delivered to its members. In addition, net savings may be used to conduct marketing,

repay Program loans, and meet state solvency requirements. They may also be used to provide for enrollment growth, financial stability and stable coverage for members.

CO-OPs are forbidden to ever convert or sell to for-profit or non-consumer operated entities.

Operations

CO-OPs develop healthcare provider networks to provide services that meet members' healthcare needs. They have to compete for health insurance subscribers in the relevant markets. Therefore, their operations are the same as any other health insurance issuers in the relevant markets.

CO-OPs are required to meet certain standards and requirements for the issuance of health insurance plans to achieve Program objectives.

For example:

- At least two-thirds of qualified health insurance policies or contracts for health insurance coverage issued by a CO-OP in each state in which it is licensed must be in the individual and small group markets.
- In every market where the CO-OP operates, it must offer a qualified health plan at the Silver Level (defined as the level of coverage that is equivalent to 70 percent of the full actuarial value of benefits provided) and at the Gold Level (equivalent to 80 percent of full benefits).
- Meet certification requirements in order to participate in the Affordable Insurance Exchanges.

The incentive (trade-off) for CO-OPs to meet these and other plan standards and requirements is the privilege to use start-up loans and solvency loans at below-market interest rates to achieve the goals of the organizations.

Conclusions

The impetus for creating CO-OPs is by Congressional mandate to address certain public policy healthcare issues. A major portion of initial funding of CO-OPs is low-interest government loans to help overcome the difficulty of obtaining adequate capitalization. Legislative mandates effected with government loans have precedents such as the initial organizations of rural electric cooperatives and the Farm Credit System. As exemplified by these precedents, CO-OPs must be self-sustainable in order to be economically viable over the long term.

To ensure the CO-OPs created under the Program are viable, sustainable and stable, and to make certain they can repay the loans and thereby protect federal investment in the Program, they are required to meet CO-OP standards and health plan standards and fulfill many other requirements. As a result, CO-OPs are somewhat unique in the spectrum of cooperative business model variations as shown in table 1 (adopted and modified from *Ling*, table 2). ■

Table 1—Variations on the cooperative business model

Type of cooperatives	Structure	Organization	Governance	Source of equity	Operation
Dairy cooperatives ¹	Aggregates of economic units	Centralized member organizations	Member-governed	Members	Members' exclusive marketing agent—unique economics
Agricultural marketing cooperatives	Aggregates of economic units	Mostly centralized member organizations; some are federated	Member-governed	Members	Unique economics if exclusive marketing agent; otherwise, like other firms
New-generation cooperatives	Aggregates of economic units	Centralized member organizations	Member-governed	Members; tied to delivery rights	Business volume defined by delivery rights
Purchasing cooperatives ²	Aggregates of economic units	Local (retail) cooperatives are centralized; many federated with other locals; federated cooperatives may have direct members	Member-governed	Members	Sourcing supplies or services for sale to members and patrons
Affordable Care Act CO-OPs ³	Aggregates of economic units (health insurance subscribers)	Organized by sponsors; then become local (in-state) centralized member organization	Initially formation board; then member-governed	Sponsors and supporters; accumulated surpluses	Operations are the same as other insurance issuers in the relevant markets; must meet CO-OP Program standards and requirements
Multi-stakeholder cooperatives ⁴	Aggregates of economic units	Centralized member organization	Member-governed	Members	A framework for multi-party, multi-stage credible contracting among members
Farm production cooperatives	Aggregates of economic units that are not independent in production operation	Centralized member organization	Member-governed	Members	A vertical integration between members and the cooperative in production
Cooperatives with non-patronage members	Mixture of patron and non-patron members	Defined by state laws	Defined by state laws	Defined by state laws	Defined by state laws; most likely member-patrons' business

¹ Separately listed and used as the standard bearers of traditional cooperative business model.

² Include farm supply cooperatives, utility cooperatives, service cooperatives, consumer cooperatives, credit unions, etc.

³ Qualified Nonprofit Health Insurance Issuers under the Consumer Operated and Oriented Plan (CO-OP) Program.

⁴ Defined as cooperatives having, for example, farmers, final customers and intermediaries in the supply chain as members.

References

- Emelianoff, Ivan V. *Economic Theory of Cooperation: Economic Structure of Cooperative Organizations*, Washington, D.C. 1942 (litho-printed by Edwards Brothers., Inc., Ann Arbor, Michigan), 269 pages. (A reprint by the Center for Cooperatives, University of California, 1995, may be accessed at: <http://cooperatives.ucdavis.edu/reports/index.htm>.)
- Ling, K. Charles. "The Many Faces of Cooperatives," *Rural Cooperatives*, Volume 79, Number 6, November/December 2012, pp.24-29.
- American Heritage Dictionary of the English Language, New College Edition, Houghton Mifflin Company, Boston, 1976.



Most Co-op Network members say 2012 was a solid economic year



"This is one of the most wonderful times for opportunity in my lifetime," says demographer Tom Gillaspy.

By Mary Erickson, field editor

Wisconsin Energy Cooperative News, Cooperative Network

Editor's note: *This article is condensed and adapted from several articles that appeared in a recent issue of 2012 Annual Meeting Recap, a Cooperative Network newsletter.*



The year 2012 was a better than average year for a majority of cooperatives in Wisconsin and Minnesota, according to the results of a straw poll conducted during the annual meeting of Cooperative Network in La Crosse, Wis., Nov. 13. About 56 percent of the delegates said the economic performance of their cooperative was better than average last year, while 27 percent rated the year as average. Only 16 percent said their co-op had a below average year.

One in four delegates said they expect to hire additional employees during the coming year, while 68 percent said they would maintain their existing workforce. Only 6 percent of co-op representatives said they expected to reduce staff in 2013.

Nearly 200 members participated in the instant-response survey, using transponders to answer 14 multiple-choice questions projected on a screen. Cooperative Network represents a cross-section of cooperatives in Wisconsin and Minnesota.

About 92 percent of delegates said they had contacted their state legislator or member of Congress during the past five years, either on their own or in conjunction with Cooperative Network. Another 60 percent said lobbying on legislative or regulatory issues is the most important service Cooperative Network provides for its members.

Other responses to the inquiry about the organization's most important functions included 29 percent who identified

"educating the public and promoting the cooperative business model," while 9 percent cited director and staff education, and 2 percent chose development of new cooperatives as the most important functions.

Asked, "What is the greatest threat to the success of your cooperative?" 65 percent identified "government regulation and/or legislation." Trailing far behind were "talent retention" (12 percent); "competition" (12 percent); "growth" (9 percent); "safety" (2 percent); and "litigation" (1 percent).

Aging population poses major challenges

Two events occurred in January 2008 that are leading to a new set of challenges and opportunities for the nation, Tom Gillaspy, of Gillaspy Demographics, told delegates. A former Minnesota state demographer, Gillaspy said the recession that hit in January 2008 left the nation in an economic hole that will take a long time to recover from. Jobs no longer exist where they once did, Gillaspy explained, and many Americans have stopped searching for employment opportunities.

Second, the first wave of the Baby Boom generation turned 62 in January 2008. With this massive Baby Boom generation entering retirement over the next two decades — and a much smaller Generation X to replace it — Gillaspy said the nation is facing demographic trends that will have a huge impact on the economy for many years.

For the next 20 years, almost all growth in U.S. households will be in the "empty-nest" sector, and the labor force will be at record low levels by the end of this decade. This could make the challenges of paying for health care today seem mild compared to the much bigger challenge in 20 years, he said. An aging population is a global trend, Gillaspy said. Other countries, such as Greece and Japan, also are struggling with the same issues. Even China, whose

continued on page 43

Newsline

Co-op developments, coast to coast

Send co-op news items to: dan.campbell@wdc.USDA.gov

Blue Diamond marks record, \$1 billion sales year

Blue Diamond Growers' sales catapulted to a record \$1 billion for fiscal 2011-12. The almond co-op's two-year sales growth of \$300 million has been driven by demand for value-added almond products, President and CEO Mark Jansen said in his address to the cooperative's grower-owners at their 102nd annual meeting in Modesto, Calif.

"We are winning in the marketplace by executing our superior business model, enhancing margins and growing our value-added businesses," Jansen said. "We added \$13 million in savings to the \$14 million we achieved last year, and we will continue to invest in new technologies that will lower costs and increase processing yields for higher levels of profitability year after year."

Board Chairman Clinton Shick told growers they received record payments of \$670 million on the 2011 crop, for a return that was 18 cents per pound higher than on the 2010 crop. "Revenue per acre also exceeded the previous (2005) record by 19 percent," Shick said.

Blue Diamond will open phase one of its new, 88-acre almond processing plant in Turlock, Calif., in May 2013, where it will hire up to 100 employees. The co-op already operates the world's largest almond processing facilities, in Sacramento and Salida, Calif.

"Our balance sheet is investment grade, which allowed us to finance our new plant over the next 15 years at a record-low rate that will earn growers who deliver to Blue Diamond several cents more on their 2013 annual returns



Blue Diamond CEO Mark Jansen, left, greets members during the co-op's 102nd annual meeting, which marked the first time sales topped \$1 billion.

and for many years to come," said Jansen.

Adding processing capabilities to Blue Diamond's existing operations is part of a plan to expand its brand globally, he added. This is a strategy that is already paying off, as the cooperative's global value-added ingredient business leaped 69 percent

over the past two years and global consumer-branded businesses increased 45 percent.

A new North American advertising campaign, designed to inspire a healthy lifestyle among consumers, was launched during the 2012 London Olympic Game. Blue Diamond snack almond sales jumped 21 percent during

the fiscal year ending Aug. 31, with sales during the Olympic Games alone leaping 43 percent.

Cunningham succeeds Rice as CEO of Farm Credit of Florida

Gregory Cunningham is the new CEO of Farm Credit of Florida, a cooperative of 2,300 members and with a \$925 million loan portfolio. He succeeds Don Rice, who has retired after a career spanning more than 30 years with the Farm Credit System.

“Greg comes to our association with 26 years of financial experience and a strong agricultural background,” says Woody Larson, the co-op’s board chairman. “We anticipate our members will benefit from his experience in the commercial banking industry, combined with his 22 years of Farm Credit service.”

Cunningham was previously CEO of Legacy Ag Credit. He started his career as a loan officer with the Federal Land Bank Association of Lake Providence, Louisiana, then became branch manager/corporate loan manager for Carolina Farm Credit and worked for several other farm lenders. Cunningham grew up in Louisiana on a cattle ranch and was an avid 4-H and FFA participant. He is an alumnus of Louisiana Tech University and served for 21 years in the Army National Guard in North Carolina and Louisiana.

As one of the largest agricultural lenders in Florida, Farm Credit of Florida’s portfolio includes many of Florida’s leading agribusinesses. Headquartered in West Palm Beach, the cooperative has 11 service centers throughout the state and has 140 employees.

Ocean Spray sets sales record

Ocean Spray had net sales of \$1.66 billion for fiscal 2012, the highest net sales in the cooperative’s history. It was a 3.2-percent increase from the previous year.

“Our fiscal 2012 financial results reflect strong performance amid a

sluggish economy and volatile marketplace and continue a trend,” Randy Papadellis, Ocean Spray’s president and CEO, says in the co-op’s annual report for 2012. “Over the past four years, Ocean Spray has delivered record highs in sales and profits, as well as in returns for our grower-owners.”

Ocean Spray is owned by more than 700 cranberry growers and 35 Florida grapefruit growers. It has become North America’s leading producer of bottled juices and juice drinks.

The company attributed its success to the strength of the Ocean Spray brand, continued product innovation, in-store marketing and promotions, ongoing focus on operating efficiency and risk management and the pursuit of strategic business partnerships.

Spackler succeeds Reagan as AGP Inc. CEO

Keith Spackler is the new chief executive officer and general manager of Ag Processing Inc., in Omaha, Neb.



Keith Spackler

He takes over from retiring Marty Reagan. Spackler had been the cooperative’s chief financial officer and group vice president.

AGP, the largest farmer-owned soybean processor in the world, is owned by 180 local and regional cooperatives representing more than 200,000 farmers from 16 states.

“Keith Spackler is a seasoned professional in agribusiness,” says Board Chairman Brad Davis. “His in-depth knowledge of AGP and its business operations will serve him well in his new role. We are confident that under Keith’s leadership, AGP will continue to fulfill its commitment to serve our cooperative members and their producer-owners.”

“At AGP, building on the existing

strengths, while creating and capturing new opportunities, has resulted in a great history of success,” says Spackler. Spackler is a native of Clinton, Mo., where he grew up on a dairy and row crop farm. He holds BS and MS degrees in agricultural economics from the University of Missouri at Columbia, and an MBA from the University of Nebraska at Omaha.

Prior to joining AGP, Spackler served as an economic analyst for Far-Mar-Co (a subsidiary of Farmland Industries) in Kansas City, Mo., and as a research analyst at Clayton Brokerage Co., St. Louis, Mo. He joined AGP in 1985 as manager of business analysis. During the past 27 years, he has held various positions of leadership at the cooperative.



Florida’s Natural celebrates best year

The 2011-12 season was the greatest year in the history of Florida’s Natural Growers cooperative, board Chairman Dick Fort said at the co-op’s 79th annual meeting, which coincided with the 25th anniversary of the launch of the Florida’s Natural orange juice brand.

“By all measures, the cooperative has experienced a record year in grower returns, sales, market share and customer loyalty,” Fort said. “The success of our cooperative is inextricably linked to the success and growth of the Florida’s Natural brand.”

Gross sales for 2012 were a record \$624.8 million. New records were also

Hispanic, women farmers may seek compensation

Hispanic and women farmers and ranchers who believe that the U. S. Department of Agriculture (USDA) improperly denied them farm loan benefits between 1981 and 2000 because they are Hispanic or female, may be eligible to apply for compensation if:

- 1) You sought a farm loan or farm-loan servicing during that period;
- 2) The loan was denied, provided late, approved for a lesser amount than requested, approved with restrictive conditions or USDA failed to provide appropriate loan service; and
- 3) You believe these actions were based on your being Hispanic or female.

To receive a claims package, visit: www.farmerclaims.gov, or call 1-888-508-4429.

For further guidance, you may contact a lawyer or other legal services provider in your community. USDA cannot provide legal advice.

If you are currently represented by counsel regarding allegations of discrimination or in a lawsuit claiming discrimination, you should contact your counsel regarding this claims process. ■



set with a return to growers of \$1.90 per pound for oranges and \$1.55 per pound for grapefruit, according to Chip Hendry, the co-op's chief financial officer

"The addition of our 14th member, Southern Gardens Grove Corporation, will help address our fruit needs for the foreseeable future," said CEO Steve Caruso. The launch of the Florida's Natural Brand changed the cooperative from a private-label packer to a

consumer-brand marketer, said Walt Lincer, vice president of sales and marketing.

The co-op is comprised of 14 grower organizations representing almost 1,000 individual growers who own about 60,000 acres of citrus in Florida. Florida's Natural Growers operates a processing plant in Lake Wales, which employs 670 people, and a juice-packaging plant in Umatilla, with 101 more workers. In addition to Florida's

Natural, its brands include Florida's Natural Growers Pride, Donald Duck and Bluebird.

California Dairies acquires Security Milk Producers

California Dairies Inc. (CDI), the largest dairy processing cooperative in California, has acquired assets of Security Milk Producers Association (SMPA), a California milk marketing cooperative, and added SMPA members to CDI's membership, effective Jan. 1.

The SMPA and CDI boards of directors determined that the member-owners of both cooperatives would be better served by promoting efficiencies gained by combining their memberships. SMPA members voted to dissolve the current management contract and to submit applications for membership in CDI, which is adding 33 dairies owned by 25 SMPA members.

"The addition of SMPA members to the CDI membership fits well with CDI's growth strategy," says Andrei Mikhalevsky, CDI president and CEO. "Increasing milk supplies will strengthen CDI's market position to the benefit of its member-owners, both old and new, through a continued positive return on investment."

"For the last several years, the SMPA board of directors had been looking to better balance its milk supply to its fluid sales with the goal of increased returns to its member-owners," said SMPA Chairman Ed Haringa. "As options were explored, it became clear that aligning SMPA's successful fluid milk sales business with CDI's extensive processing capacity provided an opportunity for SMPA and CDI to better balance milk supplies in the state."

CHS initiative to foster co-op university education

CHS Inc., one of the nation's leading farmer-owned cooperatives, has launched the CHS University Initiative on Cooperative Education. This \$2 million program represents a major investment in building understanding of

the cooperative business model through education, development and practical experience. Partner organizations that will help roll out this program include the Federation of Southern Cooperatives and 10 universities, including Cornell, Kansas State and the University of Wisconsin.

Designed to foster the integration of cooperative education into agribusiness curriculums, cooperative development and farm business studies across the country, the CHS University Initiative on Cooperative Education will also support graduate-level cooperative education programs, soil, water and environmental studies and technology-based learning programs.

The program builds on more than 80 years of work with agricultural, cooperative and education entities, says William Nelson, president, CHS Foundation and vice president, CHS Corporate Citizenship.

“As a farmer-owned cooperative, CHS is committed to investing in the future of the cooperative system,” says Jerry Hasnedl, CHS board chairman and a farmer. “This exciting new initiative will enable the next generation to achieve new levels of success as farmers and ranchers in the global marketplace, as employees with challenging careers in agriculture and as contributing citizens of rural communities.”

Some 350,000 farmers and ranchers own CHS either directly or indirectly through more than 1,000 smaller co-ops.

United Cooperative purchases Auroraville grain facilities

United Cooperative, Beaver Dam, Wis., has purchased a new grain-storage facility in Auroraville, Wis., from Willow Creek Grain LLC, Berlin, Wis. The Auroraville facility has 1.25 million bushels of grain storage, 26,000 bushels per hour of receiving capacity, 1,000- and 500-bushel unloading pits, and a 4,000-bushel-per-hour grain dryer. David Olsen, who has more than 40 years of experience in grain

procurement and origination, is managing the Auroraville location.

In other news, the United Cooperative’s Pulaski feed and grain location has completed construction of a new receiving pit, a new receiving leg, a new dryer and additional storage space.

Jill Long Thompson to chair Farm Credit Administration

President Obama has designated Jill Long Thompson as chair and CEO of the Farm Credit Administration (FCA). She succeeds Leland A. Strom, who had served as chairman and CEO since May 2008. Long Thompson has served as a member of the FCA board since her appointment by President Obama in March 2010.



Jill Long Thompson

As FCA chair, Long Thompson

will be responsible for policymaking, adopting regulations and overseeing the examination and regulation of the institutions that comprise the Farm Credit System (System), including the Federal Agricultural Mortgage Corporation (Farmer Mac). The System has \$239.7 billion in assets. As of September 2011, it held about 43 percent of the nation’s farm business debt.

Strom will remain a member of the board, pending future action by the President and the U.S. Senate. Kenneth A. Spearman, who was appointed to the board by President Obama in 2009, serves as the third member. He also serves as chairman of the Farm Credit System Insurance Corporation.

Long Thompson represented northeast Indiana in the U.S. House of Representatives from 1989 to 1995. She was under secretary for USDA Rural Development during the Clinton administration.

California dairy co-op leader Brian Pacheco honored by UC

Brian Pacheco, board chairman of California Dairies Inc. (CDI), the nation’s second largest dairy co-op, was honored in October with the Award of Distinction from the College of Agricultural and Environmental Sciences at the University of California (UC), Davis. Pacheco is also a member of the Nisei Farmers League, Sun-Maid Raisin Growers and Western United Dairymen.

The award is presented annually to those whose contributions and achievements enhance the college’s ability to provide cutting-edge research, top-notch education and innovative outreach. Pacheco, a fourth-generation dairyman from Kerman, Calif., earned his Bachelor’s degree from UC in 1991, with a major in agricultural and managerial economics and a minor in



Brian Pacheco

rhetoric and communications. His Pacheco Dairy Inc., with 1,300 Holstein cows and an elite group of purebred Brown Swiss cows, is a model of environmental stewardship and has been

recognized as a top-producing herd in Fresno County every year since 1998.

Pacheco is also president of the Fresno County Farm Bureau and serves on boards for the Community Regional Medical Center and the Fresno Dairy Herd Improvement Association and is board president of the Kerman Unified School District.

NCBA Veterans Initiative offers job opportunities

The National Cooperative Business Association has launched an initiative that will support transitioning disabled veterans. According to the Small Business Administration, veterans are at least 45 percent more likely to be self-

employed than those with no active-duty military experience. NCBA's Veterans Initiative will offer transitioning service members the opportunity to learn about the cooperative business model as they consider entrepreneurial civilian career opportunities.

NCBA's Veteran's Initiative will initially focus on introducing veterans to two types of cooperatives: worker-owned and purchasing/shared services co-ops. Worker cooperatives create long-term, stable jobs and provide their members with an ownership stake in a business enterprise without all the risk associated with going into business as a sole proprietor. Purchasing and shared-services cooperatives enable those who choose to start a small business with the price advantages of group buying power.

The November 2012 issue of Entrepreneur magazine touts the benefits of purchasing cooperatives, noting that cooperatives such as Ace Hardware and CarpetOne offer independent business owners the benefits of group buying and a brand identity without the rigidity of a franchise.

NCBA's Veterans Initiative also will celebrate what the cooperative community already is doing to hire veterans and encourage cooperatives to hire transitioning service members whose skills are well suited to their businesses. Through the program, cooperative staff will have the opportunity to learn to mentor transitioning service members who choose to become member-owners of cooperative enterprises. For more information, visit: www.ncba.coop.

Wisconsin dairy co-ops merge

Family Dairies USA, Manitowoc Milk Producers Cooperative and Milwaukee Cooperative Milk Producers have voted to merge, establishing FarmFirst Dairy Cooperative. The merger of the three Wisconsin dairy co-ops became effective Jan. 1, following a



mid-December vote by the members of the co-ops.

"Our members made history," Dennis Donohue, general manager of the new co-op, says in a statement on the new co-op's website. "This membership vote to merge the three cooperatives affirms our members' goals for industry success through collaboration. Collectively, the strength of our three organizations becomes one unified and powerful voice."

FarmFirst Dairy Cooperative will serve around 5,100 producers in Wisconsin, Michigan, Illinois, Iowa, Minnesota, and North and South Dakota. The co-op will become the third-largest dairy co-op in the country, based on member milk volume.

The new co-op, which will have its headquarters in Madison, will include the 2,300 members of Family Dairies USA, the 2,650 member-producers of Manitowoc Milk Producers Cooperative and the 500 producers of Milwaukee Cooperative Milk Producers. The three co-op boards had previously given the merger unanimous support.

"The combined size and strength of the new cooperative will provide all of our members with a deeper and broader voice in policymaking decisions, both locally and nationally," says David Cooper, general manager for Family Dairies USA. "And by combining the resources of three independent organizations, we will be able to improve efficiencies and effectiveness."

"The timing of coming together could not be better," adds Donohue,

who had been general manager of Manitowoc Milk Producers Cooperative. "The current, individual financial status of all three cooperatives is outstanding. This allows the new organization to start out on very strong footing, so that we can immediately focus on growing and improving member benefits."

Under the new cooperative, the combined member representation will be divided into nine districts. The current 20 directors from each of the three cooperatives will transition into the new organization, helping ensure consistency in leadership and membership voice.

NMPF seats new board members

The National Milk Producers Federation's (NMPF) board of directors seated two new members at the organization's 2012 annual meeting in Orlando, Fla. Donald De Jong from Dalhart, Texas, was elected to represent Select Milk Producers Inc., while Larry Webster from Buffalo, N.Y., was elected to represent Upstate Niagara Cooperative.

In other news, Jim Mulhern, a veteran public affairs professional with three decades of government policy and communications experience in Washington, D.C., joined the NMPF staff Jan. 1 as chief operating officer, a new position for the association of dairy co-ops. He will have direct oversight of the communications, government relations and membership functions of the organization. ■

Creating a safety culture

continued from page 6

compliance director after the first assessment, so this was new to me. But we are looking forward to seeing if we pushed the bar with the reassessment coming in the summer of 2013.”

“This has been a great program for me and WFS,” says DeAnn Miller, environmental health and safety director at the co-op. “We have learned so much. And more importantly for me, I have met others like me who work in safety in other cooperatives. We share

experiences and learn from each other.”

“We think of firms with a strong safety culture as being nuclear power plants, oil refineries, chemical plants and similar industries,” notes Boland. “Farm supply and grain and oilseed marketing cooperatives are all different. There are no cookie-cutter type operations. We have remote locations, seasonal employees and locations, and we have traditionally placed a high value on employees with a ‘get it done’ attitude. Getting it done safely is the critical part.”

For more information about this program, please contact Boland at (612)

625-3013, or via e-mail at: boland@umn.edu.

Editor’s note: *Cooperatives in Iowa working with the Ag Cooperative Safety Directors of Iowa (<http://acsdia.org/>) have formed a consortium of safety directors for cooperatives in their states and have started offering an educational program. In addition, the Grain Elevator and Processing Society, known as GEAPS (www.geaps.com), offers safety topics at its meetings. The Agricultural Safety and Health Council of America (ASHCA) (www.ASHCA.com) will hold its 2013 Summit Sept. 25-27 in Minneapolis, Minn. ■*

Co-op conversions help bring security to manufactured housing owners

continued from page 31

improvements to the roads and water lines. Other co-ops hold community cleanup or beautification days, or start rewriting community rules.

Participation in the co-op not only reduces costs, it builds vibrant neighborhoods. That participation can include everything from baking cookies for a summer barbecue or helping plan a glow-stick sledding night to operating the well system or serving on the volunteer board of directors.

Residents also learn that they belong to a community much larger than their neighborhood. They are connected to other resident-owned communities in New Hampshire through the Community Loan Fund’s ROC-NH program and across the country through ROC USA, both of which create opportunities for education, collaboration and networking.

Co-op members also have access to training and education sponsored by ROC-NH, and some have been appointed or elected to leadership positions in their towns. Graduates of its community leadership training also earn college credit they can use toward a degree.

Swift transition

None of the leaders of New Hampshire’s 103 manufactured-home co-ops will say managing a community is easy.

“People and a system are needed to collect the rents and keep the books, approve new members, maintain the infrastructure, enforce park rules, mediate disputes and endlessly communicate,” says ROC USA President Paul Bradley. “Effective operations rely upon good information and frequent communication — both challenges in volunteer organizations run by busy people.”

Although many smaller communities are run completely by their volunteer members, most use a portion of their rental income to hire companies for services that include rent collection and financial management. One large co-op, 192-unit Greenville Estates in southwestern New Hampshire, has always relied upon paid staff — an office manager, a bookkeeper and maintenance workers.

An additional challenge is that roughly 75 percent of New Hampshire’s manufactured home co-op residents qualify as low-income. While all bring valuable and varied life experience, few have previously had the opportunity to serve on a nonprofit board of directors, much less run a multi-million-dollar corporation.

Nevertheless, not one New Hampshire co-op has failed since the Meredith conversion 29 years ago. That’s a testament to the hard work and dedication of the volunteers in these co-ops; to the training, support and technical assistance provided by ROC-NH; and to the crucial support of programs like USDA-RD.

Regardless of a co-op’s management system, all residents — even those who choose not to become members of the co-op (which usually means they pay a higher lot rent and have no voting rights) — enjoy the benefits of ownership. Some economic benefits were documented in a 2006 study by the Carsey Institute at the University of New Hampshire.

The study found that the advantages enjoyed by homeowners in co-ops over those in investor-owned communities included higher average home sales prices, faster home sales, access to fixed-rate home financing and, eventually, lower lot fees.

And through ROC USA, the ripples flow over the state border. The national nonprofit is providing connections with co-ops in other states through aggregated opportunities such as leadership conferences and online training, marketing and joint purchasing. ■

Most Co-op Network members say 2012 was a solid economic year
continued from page 36

economy is predicted by some long-range forecasters to surpass the United States' economy sometime between 2016 and 2020, will be shifting to an aging population in about 10 years.

However, Gillaspay said China is pushing up worker productivity now, before its population begins to age. "There are only two ways to grow an economy," he pointed out. "Increase the workforce, or increase worker productivity."

This dilemma will have repercussions that Gillaspay said will result in a "new normal," characterized by slower economic growth, rising interest rates, a shift in the home ownership/rental gradient and talent becoming the most scarce resource.

However, Gillaspay said the new challenges also make for new opportunities.

"This is one of the most wonderful times for opportunity in my lifetime," he said.

Innovation is a key to increasing productivity, he said, referring to examples such as the development of rust disease-resistant wheat to help meet the growing world demand for food, and new cures for diseases.

Gillaspay predicted these trends would lead to a third industrial revolution characterized by advances in robotics, materials and software.

Cooperative Network is a leading Wisconsin business association. It serves more than 600 member-cooperatives, owned by more than 6.1 million Minnesota and Wisconsin residents, by providing government relations, education, marketing, and technical services for a wide variety of cooperatives including farm supply, health, dairy marketing, consumer, financial, livestock marketing, telecommunications, electric, housing, insurance, worker-owned cooperatives, and more. For more information about Cooperative Network, visit www.cooperativenetwork.coop. ■



Managing Risk 21st CENTURY *in the*

February 21-22, 2013
Crystal Gateway Marriott Hotel
Arlington, Virginia

www.usda.gov/oce/forum



USDA is an equal opportunity provider and employer.

OFFICIAL BUSINESS

Penalty for private use, \$300

NOTICE:

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

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

Introducing a New Old Friend

An old favorite has a new look!

USDA's popular educational tool, Co-ops 101—used as textbooks in many high school and even college-level courses – has been extensively updated, with expanded content and full color illustrations in an exciting new format.

Look for it online at:
<http://www.rurdev.usda.gov/supportdocuments/cir55.pdf>

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

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

