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# Rural COOPERATIVES

USDA / Rural Development

September/October 2011

All the  
right moves

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CO-OP  
MONTH



# Commentary

October is National Cooperative Month. To help mark the occasion, Agriculture Secretary Tom Vilsack recently signed this proclamation, which is on display at a number of locations around USDA's headquarters in Washington, D.C.



UNITED STATES  
DEPARTMENT OF AGRICULTURE  
Office of the Secretary  
Washington, D.C. 20250

## NATIONAL COOPERATIVE MONTH October 2011

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By the Secretary of Agriculture of the United States of America

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### A PROCLAMATION

**WHEREAS** cooperatives are producer- and user-owned businesses that give their members a stronger position in the marketplace by multiplying the power of one by the power of many; and

**WHEREAS** cooperatives meet a wide range of needs, such as helping farmers and ranchers market and process their crops or livestock and acquire farm production supplies; offering credit services; operating cooperative housing and food stores; and delivering electricity and telecommunication services to rural America; and

**WHEREAS** the nearly 30,000 U.S. cooperatives have a combined impact of more than \$650 billion annually on the U.S. economy; and

**WHEREAS** cooperatives are committed to strengthening their communities, in part by keeping profits local and paying patronage refunds to members; and

**WHEREAS** cooperatives represent democracy and capitalism at their best;

**NOW, THEREFORE**, in recognition of the vital role that cooperatives play in improving economic opportunity and the quality of life in rural America, I, Thomas J. Vilsack, Secretary of the United States Department of Agriculture, do hereby proclaim October 2011 as National Cooperative Month. I encourage all Americans to learn more about cooperatives and to celebrate cooperatives' accomplishments with appropriate ceremonies and activities.

**IN WITNESS WHEREOF**, I have hereunto set my hand this 16th day of September 2011, the two-hundred thirty-sixth year of the Independence of the United States of America.

A handwritten signature in blue ink that reads "Thomas J. Vilsack".

THOMAS J. VILSACK  
Secretary

# Features

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**ON THE COVER:** On a weekday morning, there's plenty of room in the aisles at the Producers Cooperative Association supply store in Bryan, Texas. But on weekends, the store is typically packed with farmers, ranchers and "lawn and garden" shoppers, the latter a market segment that the bright, spacious store was designed to appeal to when it moved to this new location in 2006. Story on page 6.



# Co-op sales, income second highest ever; 7,000 jobs added

**Editor's note:** Information for this article was compiled by the Cooperative Programs statistics staff of USDA Rural Development. *Jacqueline E. Penn and E. Eldon Eversull.*



Farmer, rancher and fishery cooperatives had their second highest sales and income in 2010, trailing only the record 2008 levels. With four very good years in a row for many cooperatives, they were able to increase employment by more than 7,000 from 2009.

The year saw significantly higher prices for dairy products, cotton and livestock and falling prices for food grains and oilseeds. Farm fuel prices were up 25 percent while the prices of most other farm supplies decreased. The 2,310 farm cooperatives surveyed had sales of \$170 billion, exceeding the prior year's sales by almost \$1 billion (Table 1).

Dairy products led the increase in cooperative marketing, with sales gains of almost \$2 billion (Table 2). Livestock sales increased \$500 million while sugar sales increased \$300 million. Grain and oilseed sales dropped by more than \$3 billion. Petroleum products saw the biggest sales gain among farm supplies, with sales up \$1.2 billion. Crop protectants and seed also saw sales climb, but fertilizer sales declined by \$1.1 billion and feed sales dropped by almost \$200 million.

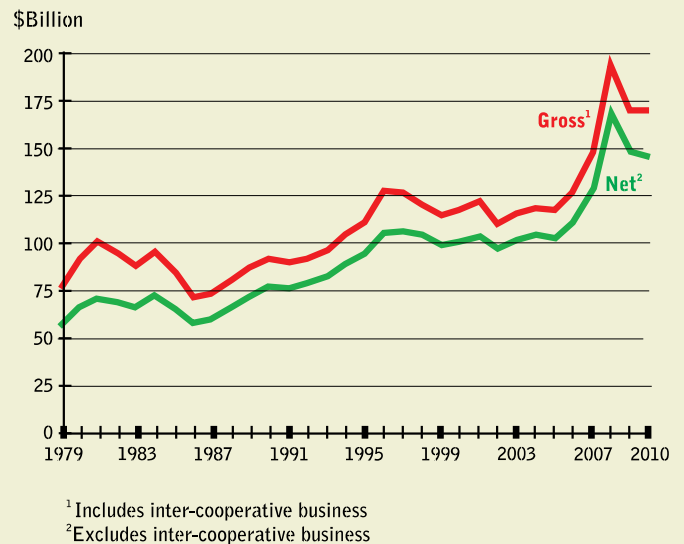
Net income before taxes was up almost 4 percent, to \$4.3 billion, the second highest income ever but still \$500 million less than the record \$4.8 billion set in 2008. The past four years have all produced record, or near record, income levels for the nation's agricultural cooperatives.

"These sales and income figures for 2010 are near record levels, with cooperatives showing confidence in the economy by increasing employee numbers," says Dallas Tonsager, under secretary for USDA Rural Development. "Dairy prices remain strong in 2011, as do livestock, grain and oilseeds, pointing to another strong year for the ag economy."

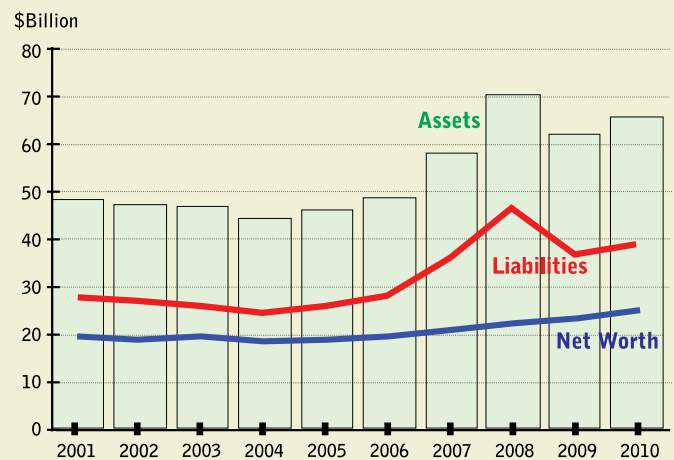
Marketing of food, fiber, renewable fuels and farm supplies by cooperatives experienced slight increases over the previous year (Table 1), according to the Cooperative Programs office of USDA Rural Development. Gross business volume of \$170 billion was the second largest ever, as was net income before taxes (Figure 1).

The value of cooperative assets grew in 2009 by more than

**Figure 1—Cooperatives' Gross and Net Business Volume, 1979-2010**



**Figure 2—Cooperatives' Assets, Liabilities, and Net Worth, 2001-2010**



\$4 billion; liabilities and owner equity both grew by \$2 billion. Equity capital still remains low but is clearly showing an upward trend, 2 percentage points higher than the previous year (Figure 2).

Patronage income (refunds from other cooperatives due to sales between cooperatives) fell by more than 23 percent, to \$692 million, down from \$900 million in 2009.

Farmer, rancher and fishery cooperatives remain one of the largest employers in many rural communities, with a total workforce of 184,000. The number of full-time employees

**Table 1**—U.S. cooperatives, comparison of 2010 and 2009

Item	2010	2009	Change
	Number	Percent	
<b>Sales (Gross, Billion \$)</b>			
Marketing	101.1	101.4	-0.25
Farm supplies	63.9	63.0	1.46
Service	5.0	4.9	1.48
Total	170.1	169.3	0.44
<b>Balance sheet (Billion \$)</b>			
Assets	65.0	60.8	6.93
Liabilities	39.2	37.1	5.68
Equity	25.9	23.8	8.88
Liabilities and net worth	65.0	60.8	6.93
<b>Income statement (Billion \$)</b>			
Sales (Gross)	170.1	169.3	0.44
Patronage income	0.7	0.9	-23.11
Net income before taxes	4.3	4.1	3.71
<b>Employees (Thousand)</b>			
Full-time	129.3	122.2	5.81
Part-time, seasonal	54.3	58.0	-6.29
Total	183.6	180.2	1.92
<b>Membership (Million)</b>			
	2.2	2.2	0.18
<b>Cooperatives (Number)</b>			
	2,310	2,390	-3.35

**Table 2**—U.S. cooperatives gross business volume, 2010 and 2009

Item	2010	2009	Change
	Billion \$	Percent	
<b>Products marketed:</b>			
Bean and pea (dry edible)	0.163	0.166	-1.81
Cotton	2.387	2.354	1.41
Dairy	32.518	30.543	6.47
Fish	0.225	0.200	12.69
Fruit and vegetable	7.723	7.547	2.32
Grain and oilseed	40.951	44.296	-7.55
Livestock	3.633	3.089	17.60
Nut	0.905	0.814	11.24
Poultry	1.174	1.177	-0.20
Rice	1.531	1.686	-9.20
Sugar	4.890	4.577	6.83
Tobacco	0.243	0.168	44.50
Wool and mohair	0.005	0.005	0.25
Other marketing	4.786	4.769	0.36
<b>Total marketing</b>	<b>101.134</b>	<b>101.391</b>	<b>-0.25</b>
<b>Supplies purchased:</b>			
Crop protectants	8.095	7.710	5.00
Feed	10.824	11.050	-2.05
Fertilizer	11.119	12.223	-9.04
Petroleum	24.482	23.264	5.23
Seed	4.256	3.932	8.25
Other supplies	5.144	4.819	6.73
<b>Total supplies</b>	<b>63.920</b>	<b>62.999</b>	<b>1.46</b>
Services and other income	5.013	4.940	1.48
<b>Total business</b>	<b>170.067</b>	<b>169.330</b>	<b>0.44</b>

experienced a large increase in 2010, to 129,000 (up 7,000 from 2009), while the use of part-time and seasonal employees decreased 6 percent, to 54,000.

There was a slight uptick in farm numbers, with USDA counting 2.2 million in 2010, up 700 from 2009. The number of farmer cooperatives continues to decline. There are now 2,310 farmer, rancher and fishery cooperatives, down from 2,390 in 2009. Mergers account for most of the drop, resulting in larger cooperatives.

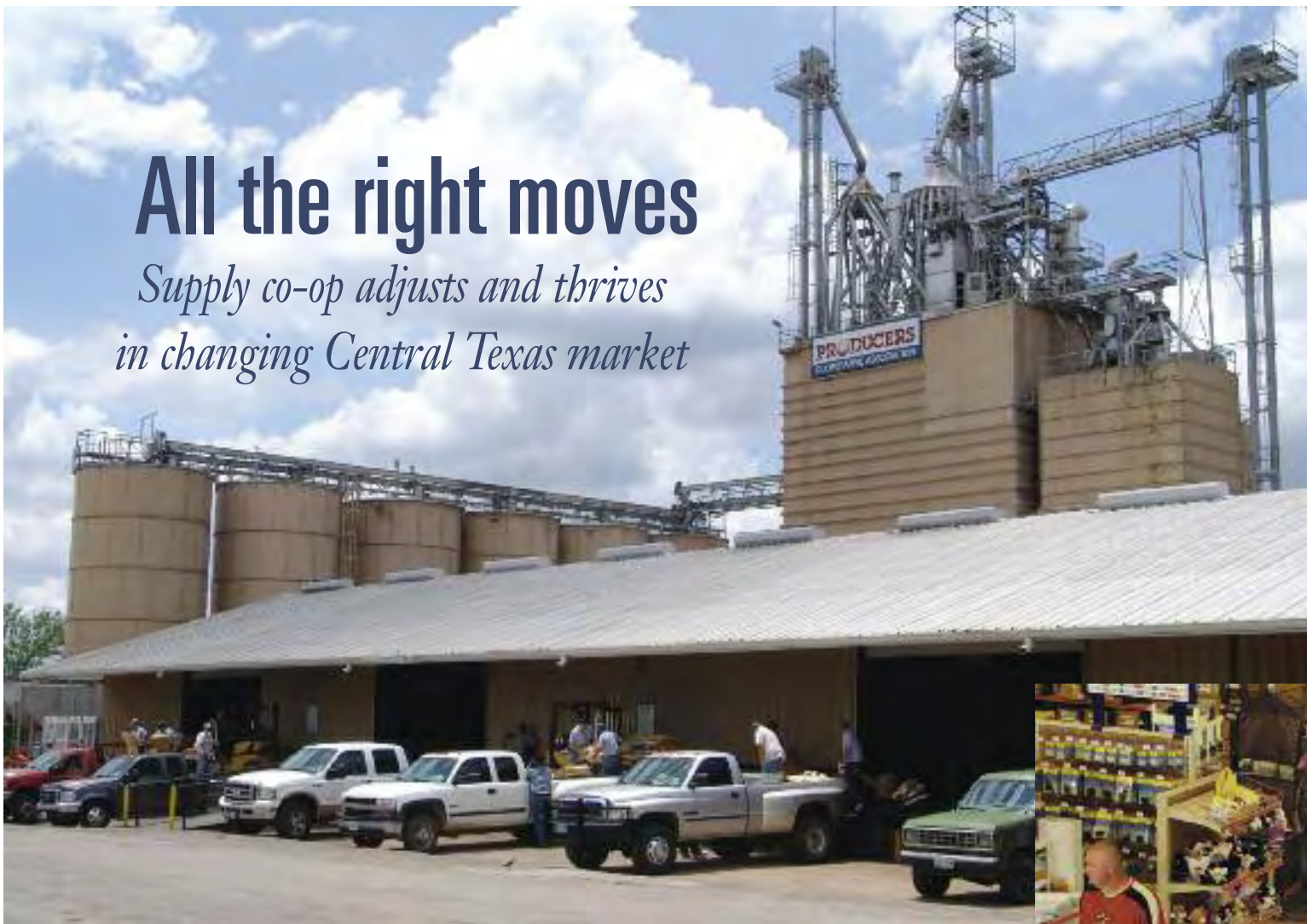
Producers held 2.2 million memberships in cooperatives in

2009, up 0.2 percent, or about 4,000 more than in 2009. The number of U.S. farms and cooperative memberships are now about equal, but this does not mean that every producer is a member of an agricultural cooperative. Previous studies have found that many farmers and ranchers are members of up to three cooperatives, so farm numbers and cooperative memberships are not strictly comparable. ■



# All the right moves

*Supply co-op adjusts and thrives  
in changing Central Texas market*



By Dan Campbell, editor

**A**mid the sounds of hammers, drills and idling concrete trucks, Producers Cooperative Association's new \$3 million agronomy center is rising along North Texas Ave. in Bryan, Texas. The facility, scheduled for completion by fall, will be another crown jewel for this thriving farm supply and services co-op, which owns a complex of facilities on 25 acres along both sides of the road, just a few miles from Texas A&M University.

When completed, rail cars and trucks will be able to load and unload under cover inside the 34,000-square-foot facility, speeding operations while eliminating exposure to the elements and reducing the amount of fertilizer

dust that escapes into the air. The center will also include a new showroom where the co-op's wide array of agronomy products will be displayed.

The new facility should make conditions much more comfortable for employees and customers alike. "It can get very slick and messy here on hot, high humidity days. This facility will represent a big change for the better," says Kent Dunlap, communications manager for the co-op, as he leads a visitor through the construction zone.

The timing for the new agronomy center to open, however, could have been better, says James Deatherage, president of Producers Cooperative Association (Producers). Central Texas has been suffering through a severe drought (see sidebar, page 8), causing sales of fertilizer and other agronomy products to slump as crops withered.

According to some mid-summer estimates, about 30 percent of crops had been abandoned due to lack of water.

"There is no corn crop this year — it is gone; we lost it all," Deatherage says. "Even much of the irrigated corn is gone because of heat and constant 30 mph wind that dried it out. Irrigation pumps could not keep up with it."

When the Producers board approved the project about three years ago, there was — of course — no way of knowing a severe drought was just around the corner. Regardless, cooperative directors and management say they have no doubts that the investment will prove to be another



valuable expansion of a co-op with a track record of making all the right moves.

### **Cattle selloff effects could linger**

Lack of water and pasture has also caused a big cattle selloff, the impact of which could impact the co-op's feed and veterinary supply sales for several years to come.

"The drought has forced me to cull a lot harder than I normally would have," says John Malazzo, who raises champion Braford cattle (a cross of Hereford and Brahma cattle that thrive in the climate here). He also farms 2,400 acres of cotton and other crops. "We still have a little hay to feed our cattle, but when you run out of water, that's a different story," continues

Malazzo, who has been a Producers board member for 16 years. "We don't have the ability to haul water to all of our cattle every day."

Beef prices are already high, and with smaller herds next year "we may be seeing some historically high beef prices," Deatherage says. "Folks who sold out may find that when they go to buy back in, the price of replacement cattle is unaffordable."

Deatherage says that he is concerned that beef prices could climb so high that "you can lose your consumer base — there could be a shift to an alternate protein as prices go higher."

A co-op has to be very careful about how it reacts to such changes. "When your piece of the pie shrinks, the immediate reaction is usually to cut margins. So margins get cut in a defensive posture; business is going down and margins are shrinking as you try to hold on to a smaller piece of the pie."

The co-op, which was formed in 1943 and moved to its present location in 1960, has been seeing its piece of the pie grow steadily. Its main trade area is an 11-county area roughly within a 70-mile radius of Bryan and neighboring College Station.

Producers has four operating

divisions: Feed and Nutrition; Agronomy Services; Fuels and Lubricants; and Agricultural Supply (which now includes lawn and garden-type supplies). Even with the drought, Deatherage says he expects all divisions to be profitable in 2011.

He went to work for the co-op in 1980, having previously operated his own farm supply business. That business eventually failed, but the lessons he learned from the experience — and plenty more along the road — have helped him become one of the most widely respected farm leaders in Texas. Indeed, Deatherage was recently elected to represent this region on the board of directors of Land O' Lakes, a federated farm supply and dairy foods co-op to which Producers belongs.

### **Changing market**

Producers' market has been undergoing huge changes as formerly rural areas have become suburbanized. Where large ranches and farms once dominated the landscape, hobby farms and ranchettes with a few acres of land and some horses, poultry or "exotic" livestock (everything from goats to Alpacas) are now commonplace.

Rather than downsize and grumble about the changes, Producers has instead adapted by offering more goods and services aimed at attracting the hobby ranchers and the "lawn and garden" trade while still focusing on its core producer-members. "We tell our staff all the time that we do not have



*From top: More than 60 different feeds are available at any one time at Producers' feed mill, which can make hundreds of custom mixes on order. Inside the supply store, staff have the expertise to help both farmers and homeowners. A robotic loader does some of the heavy lifting in the feed mill. The exterior of the supply store, with the feed mill in the background. USDA photos by Dan Campbell*





*"Out of the 48 years I've been farming, I've never seen a year like this, and I hope we never see another," says cotton and cattle producer Joe Wilder, with grandson Jayce Wilder. The drought also set the stage for devastating forest and range fires in Central Texas later in the summer. USDA photo by Dan Campbell*

## Drought takes heavy toll on Texas ranches, farms

A good farm supply and service co-op can do so much to help its members prosper. In good times and bad, a supply co-op is like a producer's business partner.

But one thing even the best co-op cannot do is to make it rain.

In the cattle and cotton country of Central Texas, lack of rain this past year caused one of the worst droughts in a generation. The night before *Rural Cooperatives* visited with members of Producers Cooperative Association (Producers) in late June, the area received 2-3 inches of desperately needed, desperately welcomed rain.

But that was the first measurable perception in nearly a full month. And while the rain did a lot of good, it was too late to help much of the crops, already parched, withered or stunted. Cattle herds had already been sharply reduced, in direct response to the lack of water and forage.

"Out of the 48 years I've been farming, I've never seen a year like this, and I hope we never see another like it," says Joe Wilder, after sitting down in his farm office on a sizzling-

hot June morning. "Things are dry now that I've never seen dry before. I have pastures that look like this counter top [brown and bare]."

Yield was down 60 percent from average for the winter wheat he had recently finished harvesting — which was very late. Wilder says that's because wheat that normally spouts in November didn't come up until January.

"The cotton doesn't look much better. It's very sporadic — I have some cotton that is two feet high, and right next to it will be some that is only two inches high," says Wilder, a long-time Producers board member. "The milo is the same. With soybeans, one row is up, one row is not."

Irrigation is traditionally considered "supplemental" in this region, and not all land has access to irrigation.

### Cattle herds reduced

"The drought has caused an unprecedented sell off in cattle numbers — we're at a nearly 80-year low," says Producers President James Deatherage. "There is no

pasture, which is causing the selloff. Cattle prices are actually good, but if you have no forage or no water, you have to sell."

Crops, of course, can bounce back the next year after a drought. But it is not as easy for the cattle industry to launch a comeback.

"That's what really worries us — that our producers are selling off assets that will take several years to rebuild," says Deatherage.

The co-op's numbers this year will reflect the drought. "2011 will not be one of our best years, which is strictly weather related," say Deatherage. "We try not to use the drought as an excuse, but for agriculture here, weather is everything."

When interviewed in late June, Deatherage said there was "still the opportunity to make a cotton crop, but we are close to losing it on non-irrigated land. With some timely rains, we could still pull out a cotton crop."

With cotton prices the highest he has seen in his life — \$1.25 a pound in June — cotton farmer and cattle rancher John Malazzo had "hopes and dreams" of a really big payday — one that would enable him to make some big land payments this year. If only he could get near his average of three bales of cotton per acre.

"But Mother Nature put her knife right between our ribs in that regard," Malazzo says.

"Most of central Texas crops have been devastated," says Malazzo, a board member of Producers and two other co-ops. Fortunately, out of the 2,400 acres he farms, about 80 percent is irrigated. Four years ago, his farm was flood/furrow irrigated, but much of the irrigated portion of the farm now has transitioned to a center-pivot system.

The irrigation system not only saves a great deal of labor needed for hauling and assembling pipelines and digging out furrows, but it is also much more water-efficient. "That's really the most important thing — the environmental benefits. The center-pivot saves water, and we are already having to pump from about 400 feet deep."

"Here in the Brazos Valley," he continues, "we are considered to be supplemental irrigators. We don't have the volume of irrigation that they do in places like Arizona and New Mexico, where they know they must irrigate for every drop of water needed. Here, if we can get enough moisture from Mother Nature to make it until June, then we can take it from there with our irrigation. But this year we had to pre-water, which we hardly ever do; then, by the time we planted, there was so much wind and sun and heat that the moisture was gone, so we had to water again."

The day after the farm got 2-3 inches of rain in June, Malazzo was still optimistic that he might get 50 percent of a normal crop on his dryland acreage.

"It's a shame, really, when you have a price that is a chance of a lifetime." But even on his irrigated land, the weather-related worries won't be over until the crop is harvested in October. The area is close enough to the Gulf Coast that it can be seriously impacted by hurricanes — and cotton harvest coincides with peak hurricane season.

Still, Wilder says he feels fortunate to be a Texas farmer and rancher, even in the grip of a drought. "We may be dry, but you see places like Joplin, Mo., and areas around Alabama that got literally leveled by tornadoes, so maybe we don't have it that bad. At least we still have a roof over our heads and a bed to lie in." ■

— By Dan Campbell

the luxury of picking who our customer is, so we have to move in the direction the market is taking us," Deatherage says.

Traditionally, Producers' trade area has been dominated by the "three Cs" of Central Texas agriculture: cattle, cotton and corn. But the cattle business has been coming on strongest for the past 15 years or more. Today, about 80 percent of its trade is with cow-calf operations. The overall trend is toward more small ranches, although the drought could cause a temporary reversal of that trend. The average herd of co-op members is less than 50 cows. Most of the small ranch owners have off-farm jobs; their cow-calf operation is typically a side business, although an important one.

The co-op welcomes and cultivates non-member business to help subsidize its producer-member business. Non-members do not receive patronage. The co-op formerly issued class-B, non-voting stock to non-producers. But as the pace of suburbanization increased, the proportion of class-B to class-A stock was getting out of balance, so the class-B stock plan was halted.

Today, only producers can be members, although the definition of "producer" is broad. The co-op bylaws specify that a member must produce an agricultural product with the intent to sell it. Thus, for example, a beekeeper qualifies as a producer if he or she sells honey.

Producers averages 30 new members a month, and today has nearly 10,000 members. Only active members are counted, as the cooperative purges from its membership roles anyone who has not done business with the co-op for two years.

### **Debt-free co-op**

The co-op relies 100 percent on member equity for capital projects such as the new agronomy center. "We don't borrow money, which adds to our strength," Deatherage says. "A \$3 million project for a relatively small co-op to pay for out of its hip pocket is a



big deal here, but we are fortunate to be debt-free.”

“Our board’s top priority is to find and keep good management,” Malazzo says. “James is a good manager because he is 100 percent co-op — he lives and breathes it; he has a real passion for it. On top of that, he has good business sense and stays on top of everything. But he knows when to delegate, then holds his team accountable for their areas.”

Malazzo is committed to the co-op business philosophy, which he says has been good to his family. “I’m definitely a co-op guy — and I don’t mean just with Producers Cooperative Association,” says Malazzo. He gets his farm operating loans from Capital Farm Credit, a co-op, and uses the services of the Taylor Co-op Cotton Compress warehouse.

“In all these businesses, as co-op members we help guide the business and participate in the profits. All are well managed, so there is usually a good chance of getting patronage every year. We spend a lot of money on our crops and cattle, so patronage can be a big factor for us.”

That said, Malazzo notes that Producers’ philosophy is “not to sell the dividend. We sell the co-op based on expertise and service.” Patronage is just the icing on the cake, he says.

Malazzo’s son, Jason, who recently graduated from Texas A&M and is now farming his own land, has inherited his dad’s co-op philosophy. “I just wish we had more co-ops around here, like a co-op cotton gin; that would help us so much.”

But these days, that type of co-op commitment is more the exception than the rule, Deatherage notes. For Producers to keep its competitive edge, it can no longer rely on co-op loyalty. “There was much more loyalty to the co-op system years ago, but that generation is fading away now — the generation that put their blood and sweat into building the co-ops. Member loyalty today is always earned, never expected.”

## Stiff competition

The area’s growing population has also attracted plenty of new competitors. “We’ve got big box stores all around us. I can’t win a price war,” says Deatherage. “If you sell on low price, once you no longer have the low price, you have nothing left to sell. Great products, programs and services are what keep us afloat.

“We need to be competitive [on price], but what we really sell is our expertise,” he continues. “Unlike the big box stores, our staff has to be able to do more than to direct you to aisle four.” The co-op thus has certified agronomists and master gardeners on staff who work with customers and help to train sales clerks, many of whom are Texas A&M students.

“Do we have people who come in and ask for our advice, then go somewhere else to buy? Sure we do,” says Deatherage. “But information is king for us, and we truly have a staff that is very knowledgeable about what we sell.”

Producers will end the year with about \$65 million in sales and a staff of 140 employees, Deatherage notes.

“There are many grain co-ops that will do far more business than us with only 10 employees. That’s because our focus is on service and the retail customer.”

Most producer-members understand the importance of the non-member trade, although occasional frustrations may be expressed. Deatherage recalls an incident that underscores how important both types of business are to the co-op.

“It was a typical Saturday — the store was packed. An older rancher grabbed me as I walked by and he said: ‘I’m trying to buy two tons of feed — why do I have to wait in line behind a lady who is buying two 12-packs of vegetable plants?’ I said: ‘Your co-op is probably making more money off those two 12-packs of plants than on your two tons of feed.’ The rancher smiled and said he would be happy to wait behind her!”

The co-op supply store has about 13,000 products for sale, arranged in

seven “product zones,” each of which appeal to different types of shoppers and reflect the changing demographics of the area, says Bill Lazenby, Ag Supply Division manager.

With the percentage of women shoppers having soared, when the new, 24,000-square-foot retail center was built in 2006, a big emphasis was placed on creating a very bright, spacious environment with more gift items on the aisle end-caps.

The two customers Lazenby helped just before being interviewed symbolize the diverse clientele of the co-op. One was a woman who had just suffered a house fire and needed a product for removing smoke stains from her good ceramic dishes, along with some advice about how to use it. His previous customer wanted to buy 15 miles of fencing. “I was glad for the opportunity to help them both,” he says.

## Overcoming doubts

Co-op board member Joe Wilder says he was initially skeptical about the move to expand into lawn and garden supplies. “I thought we were wasting our money,” says Wilder, who raises cattle and runs a cotton farm that has been in his wife’s family for more than a century. “But it turned out to be the best thing we ever did. On Saturdays now it is hard to even get in the door — mostly packed with weekend farmers and homeowners. They like the co-op because we don’t just sell them a product; we also tell them how to use it.”

Wilder says he had the same kind of doubts when the co-op wanted to expand the fueling station (built in 1998). “My dad was in the service station business, and I thought there was no way it would pay for itself.” But he said the expansion has also proven to be a winner for the co-op.

“Sometimes it is good to be wrong!” says Wilder, who started working the farm 48 years ago with his father-in-law, who retired in 1998. Now, Wilder farms with his son. His twin grandsons, although only in high school, also seem intent to keep the family tradition going.



*“The drought has forced me to cull a lot harder than I normally would have,” says cattle rancher John Malazzo (right), seen here with his son, Jason, and Producers’ Kent Dunlap (far left). The drought has also reduced the size of his cotton crop. USDA photo by Dan Campbell*

Wilder says that “99 percent of farmers will not misuse an ag chemical — they cost too much and you can get in all kinds of trouble if you do.” He notes that some studies have shown many problems with chemicals in the water supplies are actually being caused by urban residents who sometimes over-treat their lawns.

So, to the extent that the co-op can help prevent that type of urban runoff by advising homeowners about the proper use of fertilizers and herbicides, it is doing a good turn for agriculture and the environment, Wilder says.

“Here’s a true story: I had a neighbor ask me about my usage rates of

Roundup on the farm. I told him I apply about 23 ounces per acre. He was shocked, and said he applies about a gallon and a half just on his one-acre lot. I said: ‘I’m surprised you haven’t killed everything on it!’ That’s a real problem, and too often the farmer is taking the blame.”

Like the Malazzos, the Wilders are co-op to the core. “Yes, we are a co-op family. We do all of our agriculture shopping at Producers. It has been very good to us, and we are proud of it.”

### **State-of-the-art feed mill**

Back at the co-op, Kent Dunlap is standing in front of a panel board with

dozens of blinking lights and switches. This control room, he explains, is “the brain” of the co-op’s sophisticated feed mill, which formulates hundreds of custom feed mixes.

“Everything is controlled from here, and the computer logs every function,” Dunlap says. “If there is ever any question about something that occurs in the process, we can go back to this log and identify where it happened. It sure wasn’t like this when I came here in ’85; it is amazing what we can do now for precision mixing and quality control.”

The co-op’s feed lab samples every batch of grain or other feed ingredients purchased and also tests all out-going



## From the Ground Up

Lights, camera, co-op!

A TV cameraman focuses his lens on Texas A&M ag economist Joe Outlaw, who is being interviewed in a meeting room at the Producers Cooperative Association (Producers) farm supply store in Bryan, Texas, which is doing double duty today as a makeshift film studio.

Outlaw, a national expert on farm policy and co-director of the university's Ag and Food Policy Center, is answering questions about the process that will result in the next farm bill, as well as the types of issues Congress and farm industry leaders are wrestling with that will impact it.

Outlaw explains that the farm bill, which will likely entail about \$30 billion in spending, is really not so much a true farm bill anymore as it is a "food and feeding program bill." That's because food programs for low-income people are now by far the biggest expenditure contained in the bill.

Actual farm programs account for a very small slice of the nation's total budget, he says, and while farm programs will likely have to absorb their share of budget hits, these cuts will have a very minimal role in reducing the national debt simply because they represent such a tiny slice of the overall federal budget.

The TV interviewer asks Outlaw whether agriculture would get more attention if the farm and feeding programs were separated, each with its own enabling legislation.

"Farmers have been asking that for years — and they don't usually like the answer," Outlaw responds. "But without combining these programs into one bill, we likely couldn't get enough votes for the farm programs." A big part of the challenge for agriculture is that there are so few in Congress now with a farm background, Outlaw says.

### Educating the public

The interview is being filmed for a weekly TV program called "From the Ground Up," an ambitious education project of Producers. The co-op picks the topics and sets up the interviews each week, and then local CBS affiliate KBTX produces a 2.5-minute episode that is aired every Thursday morning and is re-broadcast Saturday evenings. The program has the potential to touch about 225,000 people every week. The program is "non-commercialized," which enables the local station to market it as a news segment.

Although the primary target audience is the general public, the program also helps to strengthen bonds between members and their co-op, says Producers President James Deatherage.

Now in its 12th season, the show has never aired a repeat — "although I've been tempted to do so on a few

*Joe Outlaw of Texas A&M University faces the camera for taping of a segment of From the Ground Up.*



occasions; those weekly deadlines roll around awfully fast," says Kent Dunlap, the co-op's communications manager, who spearheads the program.

Visiting state and national leaders and ag experts of all kinds are often asked to do interviews on timely ag topics, while other shows are filmed on member farms and ranches or even at locations such as the state capitol in Austin. Recent topics have included global warming, international trade, beef quality issues, the impact of drought and soaring farm production costs.

"Anybody in town or passing through could wind up on the show," Deatherage says. "We got started with it because we wanted find a way to tell the story of agriculture to the public. So we went to a local TV station and created a show that would make our members look a bit like heroes because of what they do. Too often in agriculture we let others define who we are. We can't afford to let that happen, we must tell our own story."

The co-op also compiles a highlights video from the year's programs to show at its annual meeting each year. One of the co-op's board members does the narration.

"The show is so popular that we couldn't stop it now if I wanted to; but it is a big undertaking," says Deatherage. "We do this because we feel we must reach out beyond agriculture and let the public and our government leaders know more about the issues facing agriculture." ■

— By Dan Campbell

shipments of finished feeds. This is a U.S. Food and Drug Administration (FDA)-licensed feed mill, which allows the co-op to handle a range of additives, under strict FDA guidelines.

While the co-op develops feed for all types of traditional and exotic livestock, “beef is still king,” says Everett Lowe, now in his sixth year as manager of the feed division, the co-op’s largest unit. Horse feed ranks second for sales, and is a rapidly growing market segment. “We still have a few dairies left, but that segment is diminishing,” Lowe says.

Over on the loading docks, a dozen or so young men — many of them Texas A&M students, including some football players — are loading bags of feed into a steady stream of pickup trucks and trailers that are backed up to the docks. It’s hard, sweaty work, but a good way to stay in shape, they say.

“I’ve had football players tell me that working on the loading docks on a hot, humid day is a better work out than two-a-day football drills,” says Lowe.

Although the loading docks are buzzing with activity on this June day, Dunlap says it’s actually slower than normal, due to the drought. Winter is the busiest time for feed sales, because beef producers are then supplementing with more feed. “It can get pretty hectic back here,” Dunlap says.

Not far away, a robotic loading arm swings back and forth like a metronome, never missing a beat as it stacks pallets high with feed bags. The pallets are then moved to the loading docks, where “people power” takes over.

“The robotic loader has been a wonderful addition — and it very seldom calls in sick,” Lowe jokes.

Public Enemy No. 1 for a feed mill is corn toxins, especially in this climate. So the co-op lab screens every load of corn, cotton seed, soy oil or any other feed ingredients, resulting in some loads being rejected. Ingredients are also tested for nutritional profile — protein, fat, fiber. If a load doesn’t meet the co-op specs, it’s “no sale.”

On the finished feed side of the operation, Producers also tests to make

sure its feeds contain the nutritional profile promised on the label. It also tests to ensure the structural integrity of feed cubes. “Our members are not going to be real happy if they wind up with a bunch of feed dust in the bottom of the bag,” Lowe says.

The majority of feed is picked up at the co-op, mostly in 50-pound bags. But about 25 percent of the feed is now



*Co-op President James Deatherage, right, checks out the progress on the co-op’s new agronomy center, slated to open by fall.*

delivered to customers, with growing demand for 3,000-4,000 pounds of loose cubes that are loaded into feed hoppers.

At any one time, the co-op will have 50 to 60 different feeds for sale “on the floor,” and it produces hundreds of different custom feeds, on order.

To take advantage of the volume discounts the co-op offers and to keep down their fuel costs when making a pick up, Dunlap says some customers have formed mini consumer co-ops. “One person will pick up for five or six neighbors.”

### **Committed to member education**

Producers’ has a strong commitment to member education. There is an open classroom by a large stone fireplace in the back of the store where free workshops are held on Saturdays during the fall and spring.

“The classes can cover anything from growing vegetables, to lawn care,

to pasture spraying and fertility, fruit tree care — you name it,” says Wilder. “We tap Extension and industry experts as speakers. The classes have created a lot of goodwill in the community toward the co-op,” Wilder says. “They are another way we use expertise as our advantage over big box stores.”

Another big undertaking that the co-op stages each December is the Producers Expo, which is like a trade show that features about 60 vendor booths, including some staffed by top industry experts. “These experts can answer just about any question a producer has. They can normally be very difficult to get a chance to talk to one-on-one. But our customers can talk to them at the Expo,” Dunlap says.

The expo started in 1999 and is held the first Saturday in December. In conjunction with the Expo, Producers also holds classes for the continuing education credits that holders of private-applicators licenses are required to earn in order to apply restricted-use chemicals.

The co-op’s close proximity to Texas A&M University, home of the Southwest’s top agricultural school, has been a big ace-in-the-hole for Producers. The university is the source of a ready supply of hardworking, eager-to-please students seeking part-time work.

The co-op also benefits in many ways from the university’s expertise. The co-op, in turn, is happy to help host and provide tours for visiting government officials, farm leaders and scientists from around the world who make stops at Texas A&M. These visitors often want to also see how an American farm co-op works and to visit a Texas ranch or farm. Producers is happy to oblige them. It does the same for 4-H and FFA exchange groups.

“From agriculture and trade ministers from Europe and Asia to kindergarten students, we play a role in educating others about what we do,” Dunlap says. Such efforts don’t just benefit the co-op, he notes, but all of Texas agriculture. ■





*Joe Freeman, with his wife, Rosemary, retired from a successful corporate career to start a cattle farm in Mississippi.*

# Farm Credit turns 95

*Producer-owned lending system  
celebrates birthday with online  
salute to its members*

**Editor's note:** Information for this article was provided by the Farm Credit System.

**J**oe Freeman grew up on a farm, the son of Mississippi sharecroppers. He spent his early years on the farm earning his first nickels by running errands for the farmer who owned it.

Freeman moved to Chicago as a teenager, and spent most of his life there, including 40 years working for the White Castle food chain. Despite decades living in urban America, Joe always planned to move back home. So, when he retired from White Castle as a regional director in 2006, that's just what he did.

Today, Freeman and his wife, Rosemary, operate their own cattle ranch in Mississippi. The Freemans are among the farmers and ranchers being recognized for excellence by the nation's producer-owned Farm Credit System, which is celebrating its 95th anniversary this year.

Farm Credit is a national network of cooperatively owned lenders offering financing and related services to agricultural producers and agribusinesses. The Farm Credit System was established by President Woodrow Wilson in 1916 to fill the need for long-term agricultural credit. Today, it serves nearly 500,000 borrower-owners with more than \$175 billion in



*Lisa and Gerry Kasberg's cotton gin is producing cotton compost made from cotton "trash" (the stems, seeds and husks left after ginning), which is sold through local retail stores. Photos courtesy Farm Credit*

loans and financial services in all 50 states and Puerto Rico.

### **Focus on members**

What better way to mark this milestone anniversary, its leaders thought, than to "turn the camera" on its members: the men and women who provide the food, fabric and fuel that sustains our nation, as well as so many others around the world.

In July, Farm Credit launched the Producing Excellence program, which uses a website — at: [www.FarmCredit.com/ProducingExcellence](http://www.FarmCredit.com/ProducingExcellence) — to highlight the strength, ingenuity and integrity of our nation's farmers and ranchers. The website includes a series of member profiles that celebrate agribusiness leaders and entrepreneurs in American agriculture. Visitors to the website can also learn more about Farm Credit's 95-year legacy through an interactive historic timeline.

Joe Freeman began laying the groundwork for his return to the farm by first buying a 20-acre farm in 2003, near where he was born and where he built a home. The Mississippi Land Bank, a Farm Credit System member-owned lender, provided financing for that purchase and for the 61-acre ranch he bought three years later.

"Branch Manager Joe Hill has a real love of the land, just

like I do," Freeman says. "We're on the same page, so it was a good fit working with him and the Land Bank."

Freeman always intended to raise cattle, but first the new ranch needed a lot of work to get ready to support a herd. He spent every day clearing bramble thickets, building fences and putting in ponds that would provide drinking water for the herd.

Freeman has since built a 30-head herd of cattle, but he isn't satisfied yet with his second career. He plans to eventually sell his current herd, a "scrap" herd built with an Angus bull, and buy and raise registered Angus cattle.

### **Turning cotton 'trash' into cash**

Not many people are able to literally turn trash into cash, but cotton-gin operators Lisa and Gerry Kasberg, who own and operate Birome Gin Co. in Birome, Texas, figured out how to do just that. The Kasbergs are also profiled on the Producing Excellence website.

Disposing of gin trash — the cotton burrs, stems and broken seeds that are left over after the seed and lint are separated from the plant — is a problem for many ginners. After previously spreading their gin trash on local farmers' fields or selling cotton burrs as cattle feed, the Kasbergs

*continued on page 43*





## Co-ops: Sprouting ideas and innovations!

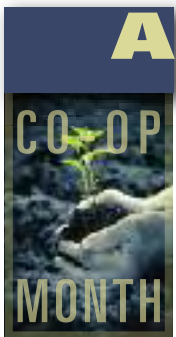
The reason so many people are using cooperatives in so many ways is really quite simple: because they work. Whether it's ranchers and farmers banding together in a co-op to purchase their production supplies or to market their crops, fishermen processing and marketing their catch as a group, or consumers who buy their food through a food co-op, the co-op business model can fill the bill. In addition to the more traditional uses for co-ops, rural doctors and home care workers are examples of new areas of co-op formation where members seek to gain the benefits derived from group action. For USDA's Co-op Month salute, 11 cooperative development centers and nonprofits that help to nurture co-op development have provided the following articles to show some of the ways co-ops are meeting diverse needs in their states or regions.



# Alaska fishing co-op's longevity tied to ability to adapt

*From fillet to freezer takes less than an hour at the Seafood Producers Cooperative (SPC) processing plant in Sitka, Alaska.  
Photos by Dan Lamont, courtesy SPC*

**By Andrew Crow,**  
Alaska Cooperative Development Program



Alaska is the country's largest producer of wild-caught seafood, so it's not surprising that Alaska is also home to the country's largest fishermen's cooperative. The Seafood Producer's Cooperative (SPC) is

made up of 525 fishermen members who primarily harvest hook- and line-caught albacore tuna, halibut, sablefish, salmon and rockfish.

The cooperative is modeled after agricultural cooperatives, where each member-owner has a capital investment in the enterprise. The seafood industry

is highly competitive and there are few companies that have survived in it as long as SPC.

The key to its success has been its ability to adapt and change. SPC was originally called the Halibut Producers Cooperative when established in 1944. It started out supplying the U.S. military with vitamin A made from halibut liver.

## **Co-op survives changing market**

Shortly after World War II, scientists discovered how to synthesize vitamin A, and the cooperative found that halibut liver no longer had much value. To survive, the co-op had to adapt to the changing market, which it did.

The co-op changed its name and transformed itself into a broader,

seafood-producing enterprise. Over time, it began to focus on high-value, branded, fresh and frozen products. Today, it markets a significant share of Alaska's troll-caught salmon and markets under its own Alaska Gold brand. Each fish is caught and handled individually, never allowed to "pile up on the deck." In the co-op's processing plant, from fillet to freezer takes less than one hour.

So, while it has a long history, SPC scarcely resembles the institution that it once was. The co-op's ability to adapt to changing markets continues to be the key to its success.

Consumers today expect a lot from their food. Not only do they care about its taste and nutritional content, they also care about its environmental, social and economic implications. SPC has

been able to address these expectations by marketing itself, its members and their products as “the complete package.”

When consumers buy salmon or halibut from SPC, they are buying from a fishery that has been “certified sustainable” by the Marine Stewardship Council and caught by a fisherman who is being paid a fair price.

### Story beyond the plate

SPC tries to give its customers the story behind what’s on their plate. The cooperative is able to “connect the dots” from the fisherman on a boat, to the restaurant or grocery store, and finally to customers, sitting down to their meals.

To help fishermen tell their story, SPC added a “featured fisherman” page to its website (<http://www.spcsales.com/>), with vignettes describing individual SPC members, who they are, how they started off in the industry, and the pride they have for their work.

It’s easier for a cooperative to do this kind of marketing. As owners, SPC members benefit directly when they share their story with their customers.



*Co-op marketing efforts strive to reduce the distance between Alaskan fishermen and consumers.*

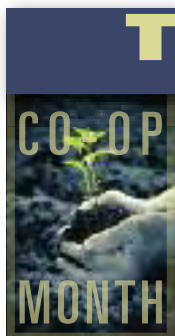
Craig Shoemaker, the SPC plant manager, explains: “The fishermen who produce the product own the cooperative, and I don’t think that private companies can market themselves to that degree.”

In keeping with its successful tradition, SPC continues to change while remaining focused on providing the best service to its members. ■

## Boot camp for co-ops

### Workshops for Indiana farmers markets provide strategies for managers, vendors

**By Debbie Trocha, Executive Director**  
Indiana Co-op Development Center  
e-mail: [dtrocha@icdi.coop](mailto:dtrocha@icdi.coop)



The local foods movement is sweeping the country while interest in farmers markets is also soaring. According to USDA, the number of farmers markets has increased by more than 13 percent since 2009. In Indiana, the number of markets grew to

more than 150 in 2008, a 257-percent increase during a 15-year period.

Consumers are looking for relationships with local food providers as food safety concerns have increased. Many consumers want to know who grows, processes and retails their food, and they want to help sustain local food systems and farms in their area.

### Boot camps enhance collaboration, profits

In response to this growing interest, a series of farmers market “boot camps” was held to increase the viability and

profitability of Indiana direct-to-consumer marketing systems and to enhance the collaboration of those involved in these forms of marketing in Indiana. The boot camps have been sponsored by the Indiana Cooperative Development Center (ICDC), a nonprofit organization founded in 2003 to fill a void in services for cooperatives in Indiana. The Center provides technical assistance and education to help startup and emerging cooperatives across a wide variety of industries.

The boot camps have provided opportunities for training and



collaboration to about 1,000 market managers and vendors. Topics have ranged from how to successfully manage a farmers market to how to merchandise products to maximize sales potential.

Responding to requests from boot camp attendees, the ICDC has helped coordinate the development of an Indiana Direct to Consumer Market Association. The association will help promote local food consumption in Indiana by connecting more farmers to consumers through direct-to-consumer markets, such as farmers markets, farm stands, community-supported agriculture associations (CSAs) and agri-tourism.

The association will promote direct-to-consumer markets across the state and help increase their visibility among producers and consumers while also aiding in direct-to-consumer market management and education. It will also develop long-term, sustainable funding strategies.

Another potential role will be to collaborate with governmental agencies on policy to make regulations friendlier and more supportive of direct-to-consumer markets, such as farmers

markets and agri-tourism. The association would serve as a repository of information and resources.

After months of work, the association — called “My Local Indiana” — is now a reality. The organization is incorporated and is in process of developing its marketing materials and a website that will serve as a hub for “all things local.”

### **Lost River Market a catalyst for renewal**

Another “front” in the local foods movement is an increased interest in food cooperatives. The Lost River Market and Deli in Paoli, Ind., is the first food co-op assisted by the ICDC. Lost River is in its fourth year of operation in rural southern Indiana. According to co-op board member Debbie Turner, “Our food co-op would not have opened without the support of the ICDC staff. Your support and expertise came early and often during our planning process which began in September, 2006.”

Paoli did not represent the typical demographics associated with food co-ops. But supporters felt strongly that a locally owned food cooperative was

exactly what the community needed. A new market for local vendors was created by the store, and the local community had access to fresh, healthy food without traveling an hour away.

As a result, eight new jobs were created, and the food market is acting as a catalyst to help revitalize downtown Paoli. It is also a vibrant community gathering place. Two new downtown housing projects in historic buildings are in the works, further increasing the importance of Lost River’s role in the area.

With 810 current members, eight employees and hundreds, if not thousands, of additional shoppers, Lost River Market and Deli has certainly made an impact by delivering healthy local food to southern Indiana. The return on investment to the local community is phenomenal.

About 68 cents of every dollar spent at Lost River Market and Deli stays within a 100-mile radius, going towards wages, local financial partners, vendors, farmers and other local businesses.

Despite the odds, Lost River Market and Deli is a success and provides much needed access to fresh, healthy, local foods. ■



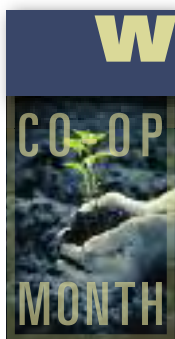
*The Lost River Market and Deli has proven to be a catalyst for revival of the downtown area in Paoli, Ind. Photo courtesy Lost River Market*

# Trail-blazing co-op helps Colorado ranchers

By Zach Devoy, President

Colorado State University Farmers Union

*Editor's note: The Colorado State University Chapter of Rocky Mountain Farmers Union was founded in 2002 and brings together students from various backgrounds who share an interest in agriculture, cooperative development and sustainable living. A common thread among members is making connections with their rural roots. Over the chapter's short lifetime, its members have sponsored public forums on issues that impact students, have partnered with other ag-related organizations to host public officials — including U.S. Congressional representatives and state legislators—and have developed policy for Farmers Union organizations on the state and national levels.*



When I think of the American spirit, three words come to mind: innovation, dedication and perseverance.

Denise King-Stovall and other producers brought all three to bear on the creation of the Local Brands Farm and Ranch Markets Co-op. The formation of the co-op was not driven by desire for profits, but rather by neighborly instinct and a desire to offer more healthy food options in their communities. Pursuing a new idea with dedication and a willingness to overcome obstacles has led to a new market for local producers in southwest Colorado.

The roots of Local Brands can be traced back to simple transactions among neighbors. King-Stovall (Rolling T Ranch Lamb) and two other founding ranch members of the cooperative — Last Ranch Beef and Bonds Ranch Beef — began bartering with each other because they all



*Lamb producer Denise King-Stovall is a founding member of the Local Brands Farm and Ranch Markets Co-op in southwest Colorado. Photo by Jen Burby*

enjoyed one another's fresh-off-the-ranch quality food products.

As time passed, their extended families, friends and co-workers became aware of the amazing products that these ranchers were sharing with one another. And so it went; like water spreading over a planted field, business rapidly expanded.

Suddenly there was a need to organize the transactions into a formal business model. After an unsatisfactory attempt at becoming a limited liability

company (LLC), the Local Brands Farm and Ranch Markets Co-op was launched in December 2010, with assistance from the Rocky Mountain Farmers Union Cooperative Development Center (CDC). The organization and its leaders also partnered with some excellent social organizations.

The cooperative provides products to the Farm-to-School Program, Growing Partners, Healthy Community Lifestyles and Community Food



Systems. These programs promote healthy eating for all ages and communities.

With the diligent work of King-Stovall and the other Local Brands board members — assisted by CDC advisors — an application for a Rural Business Enterprise Grant (RBEG) from USDA Rural Development was submitted in June 2011, seeking funds to help the co-op hire additional employees, deploy new marketing strategies and expand its customer base.

With new markets unlocked, additional members will be recruited

from the long list of interested ranchers and farmers. With the increased revenues of Local Brands' growing business, the co-op hopes to be able to offer a salary to its manager (to date, King-Stovall has not been compensated for her efforts).

Clearly this young, promising cooperative has all its ducks in a row, or — more accurately — its chickens, cows and lambs. Between the new opportunities the grant would allow it to pursue, the expanded membership and markets and continued community involvement, this cooperative is moving

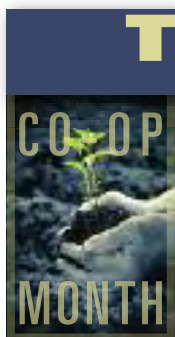
in the right direction.

Just like with any new endeavor, one of the prerequisites for a successful co-op is a strong leader. With the organization following King-Stovall's leadership, a sometimes intimidating, unknown market has been pioneered quickly and methodically as the new co-op blazes its trail. Although the next chapter in this adventure promises no relief for her from the flood of phone calls, King-Stovall says she is excited to see what tomorrow holds for Local Brands. ■

## New structure symbolizes success of Lexington Farmers Market

**By Nathan Routt, Business Development Specialist**

Kentucky Center for Agriculture and Rural Development  
nroutt@kcard.info



The Lexington (Kentucky) Farmers Market has long provided its member/owners with a place to direct-market a wide variety of fresh, frozen and prepared food products to a large and growing

customer base.

From April through November, the sights, sounds and smells of a vibrant farmers market can be experienced at three different outdoor locations on four days each week. The Saturday market continues indoors from December through March, extending the season and providing a continuous supply of seasonal products to the Bluegrass Region of Kentucky.

The Lexington Farmers Market was legally incorporated in 1975 as a cooperative of less than a dozen



*Customer traffic has soared in recent years at the Lexington Farmers Market, which has added a covered structure at the Cheapside Park location.*

members under the name: Farm and Garden Market Cooperative Association Inc. These area farmers had been selling local produce in Lexington

for many years at a semi-organized farmers market prior to the legal incorporation.

The decision to organize under a



cooperative business structure was a logical step in the evolution of what has become one of Kentucky's most successful farmers markets. The cooperative structure was chosen because the founding members wanted an organization that could help them expand the direct-to-consumer market channel more effectively as a group, rather than as individuals. The cooperative structure has served its members well over its 36-year history.

### Obstacles faced by co-op

As the market grew slowly during the 1980s and 1990s, issues arose that caused internal problems within the co-op. The market had been operating with volunteers to manage the daily operations, such as collecting daily gate fees, performing marketing tasks and other necessary activities.

As more members joined the cooperative, the use of volunteers became cumbersome and a lack of member and board policies led to confusion and operational inefficiencies.

It was evident by the early 2000s that the market was in need of an overhaul for cooperative policies, governance and staffing.

### KCARD assistance

The Kentucky Center for Agricultural and Rural Development (KCARD) was called to assist the co-op with development of member policies, governance issues and to address the need for staffing. KCARD's mission is to promote rural economic development in Kentucky and provides hands-on technical business services. Over several years, KCARD helped the co-op develop new membership agreements, board and member policies, hold training for all board members, revise the bylaws and implement a staffing plan.

KCARD helped draft a job description for the manager and assisted with interviewing candidates. The result was a functioning cooperative that came back to its roots with member/owners who better understood how a cooperative operates.

Members now have confidence in their board of directors, while relying on a capable manager to carry out day-to-day operations.

### Growing the market

With smooth internal workings in place, the market responded to the

growing demand for locally produced and value-added foods. The co-op has expanded to currently include 75 member/owners.

Customer traffic has soared in recent years and members have benefitted with higher sales at their booths. Staff has tirelessly developed and maintained relationships with the city and makes sure the market is clearly visible in the community.

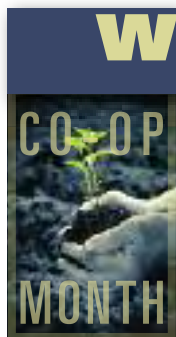
These efforts have paid off, as the market recently realized one of its most sought after goals: a new covered structure for the Cheapside Park location in downtown Lexington. It serves as a permanent marketing fixture and as a great venue for an annual fundraising dinner.

Even with recent success, the Lexington Farmers Market still sees many opportunities to grow and improve the market for its members and customers, who will rely heavily on the strengths of their cooperative structure in the years ahead.

For more information about KCARD's efforts, visit: [www.kcard.info](http://www.kcard.info). ■

## Co-op launch demonstrates co-ops helping co-ops, commitment to community

**By E. Kim Coontz, Director**  
California Center for  
Cooperative Development  
e-mail: [ekcoontz@cccd.coop](mailto:ekcoontz@cccd.coop)



When the owner of Noah's Ark, a natural food store in the rural northeastern California community of Placerville decided to retire, he considered either selling the business to a sole proprietor or selling the



building and land for some other type of business. It appeared that the latter option was the likely future for the store, until Bill Scrivani, a Noah's Ark

customer who taught yoga classes above the store, said: "Why don't we form a co-op and buy it ourselves?"

After almost three years of work — and with a lot of support from other cooperatives — that idea is about to come to fruition. Placerville Natural Foods Co-op will open soon, pending a few due diligence items on the part of the store owner. Scrivani is now the co-op president.

Store manager Melisa Clark and a group of loyal shoppers initiated the cooperative development process through old-fashioned grassroots

organizing. In 2010, the group began working with the California Center for Cooperative Development (CCCD). Funding from the Rural Cooperative Development Grant (RCDG) program of USDA Rural Development supported fundamental business, education and technical assistance from CDS Consulting Cooperative and CCCD.

The Food Co-op Initiative (FCI) was able to contribute additional grant funding and lend its expertise (see page 26 for more on FCI). Fundraising events and well-organized community member-share purchases and donation drives contributed crucial funds to the endeavor.

The development of Placerville Natural Foods Co-op is saving a valued community business, retaining 14 rural jobs and creating at least two additional positions. The process has substantially expanded sustainable food procurement practices and nurtured relationships with local producers to the betterment of the entire community.

### Co-op Principle 6: Cooperation among cooperatives

Cooperative-focused technical assistance, fueled by RCDG funds from USDA, helped generate the market study and business plan. It also fostered important co-op connections. Many other food cooperatives in the region provided advice and insights about how to operate a successful cooperative.

BriarPatch Co-op, a natural foods cooperative in the neighboring rural community of Grass Valley, contributed extensive assistance. BriarPatch manager Chris Maher and the store's deli manager, Tina Collins, spent an afternoon at the Placerville store completing a store audit. They shared their findings and suggested improvements.

Key Placerville staff are spending



*Placerville Natural Foods Co-op is scheduled to open soon, thanks in part to the help of some co-op friends. Above, the co-op's booth at a local farmers market.*

time at BriarPatch “shadowing” their position counterparts and gaining crucial on-the-job training and advice. “BriarPatch has been great help; they are experienced and knowledgeable,” says Clark. “The process feels to us like we’re a teenager and having someone tell us what we’re going to be like when we’re all grown up.”

The Placerville steering committee and staff attended conferences conducted by CCCD, and in June members attended the Consumer Cooperative Management Association conference. “The conferences we’ve attended have offered ideas and an opportunity to get into the co-op world,” says Clark. “Talking to people in that world has been very helpful. We used connections from conferences in our member outreach.”

### Co-op Principle 7: Concern for community

Placerville Co-op development has engendered many projects that have produced positive community results and generated valuable support for the cooperative.

The co-op has a regular table at the weekly farmers market where they promote healthy, locally grown food and share information about the co-op. Co-op members created a farm-to-table exhibit that includes an interactive activity table for children (geared for toddlers to age 9) that teaches them where food comes from and how it gets from farm to table.

The co-op recently received a grant from the Food Co-op Initiative to complete the conversion of a diesel van, contributed by a

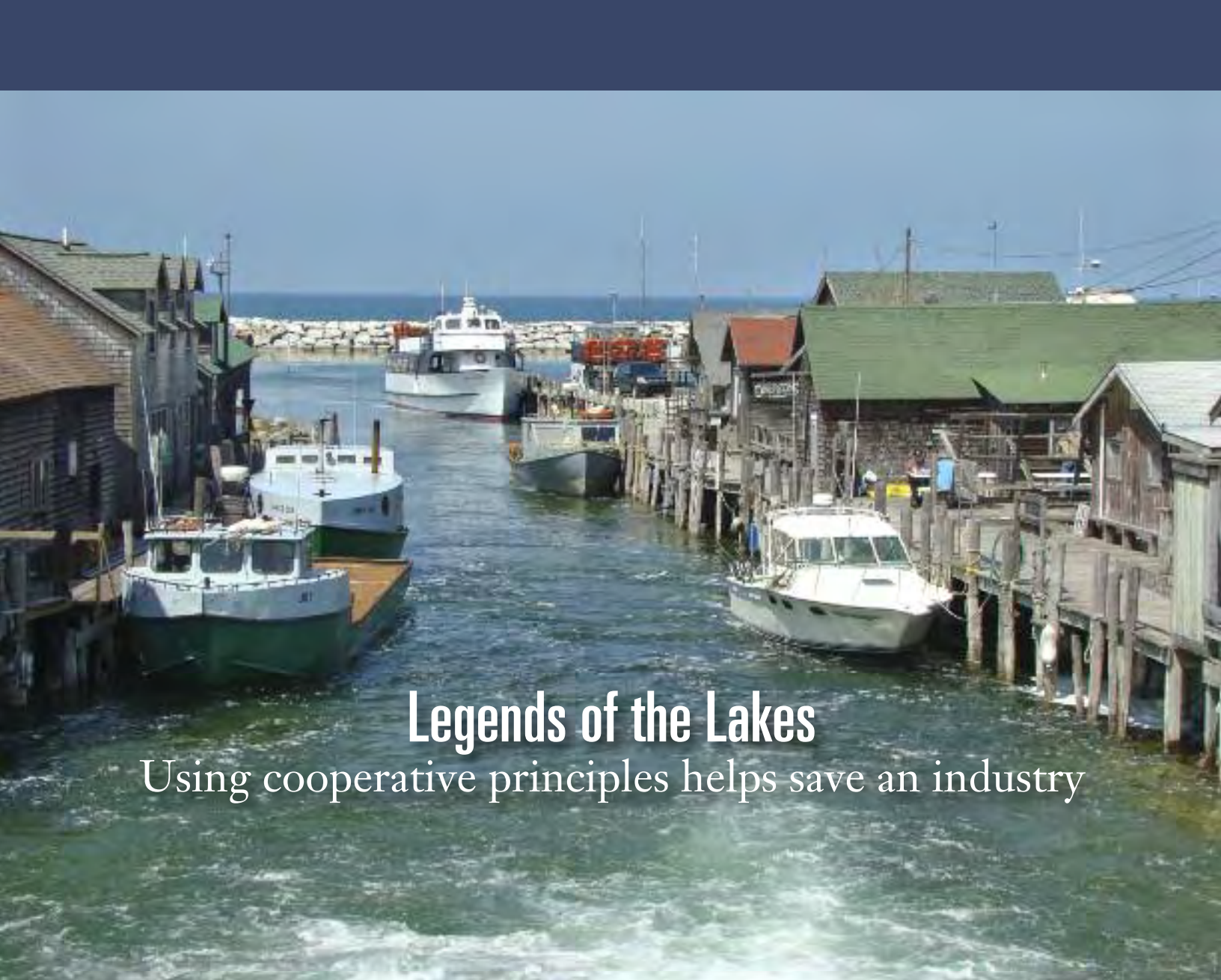
community member, to run on biodiesel. The grant also funds painting Placerville Co-op signage on the vehicle.

Once complete, the “Veggie Van” will deliver local produce and other fresh foods to homebound seniors and to the local community college. It will also be used to promote sustainability in the community through education for elementary school children and by teaching others about the biodiesel conversion process.

The development of the Placerville co-op incorporates the core cooperative principles usually associated with cooperative start-ups (open membership and democratic member control, among others), but it also incorporates what some may overlook as being special about cooperative development. In what other type of business development would other businesses volunteer so much of their time to support new business growth? And how many fledgling businesses actively integrate community development and education at the same time they are building a new store?

These are just a few more examples of the co-op difference! ■





# Legends of the Lakes

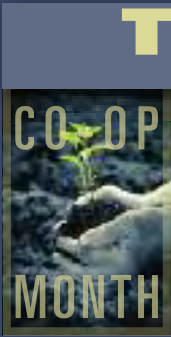
## Using cooperative principles helps save an industry

*The Legends of the Lakes Cooperative in Michigan is credited for helping to substantially raise the price members get for their catch. Photo by Mark Breederland, courtesy Michigan Sea Grant*

**By Tom Kalchik, Associate Director**  
Michigan State University Product Center  
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***Editor's note:** Founded in 2003, the Michigan State University Product Center helps Michigan entrepreneurs develop and commercialize high-value, consumer-responsive products and businesses in the agriculture, natural resources and bio-economy sectors. The Center's statewide network of innovation counselors provides business counseling support to Michigan residents in starting or expanding a business or product line. It has assisted in launching 174 new businesses or business expansions that increased annual sales by \$309 million (cumulative, first-year sales only), created 750 jobs and retained 364 jobs.*





The lake whitefish is a prime commercial species of the upper Great Lakes, according to Michigan Sea Grant. At the turn of the century, annual harvest was about 8 million pounds.

However, declining prices and higher production costs were causing commercial operations to close down. Prices dropped to less than \$1 per pound. As the industry continued to focus on traditional Midwest and ethnic markets, the price continued to decline, dipping as low as 40 cents per pound in some high-production years.

By 2003, the industry faced problems that threatened the continuation of commercial fishing operations.

The Product Center at Michigan State University partnered with the Michigan Sea Grant program to help find a solution to the dilemma. The Understanding and Insight Group was hired to help the industry determine a strategic direction.

Commercial fishermen, processors, regulators and marketers were called together to address the issues using the consultant's trademarked program: Getting It! The findings of the study were:

- Marketing: work to identify what will help consumers buy whitefish, including:
  - Use branding;
  - Use labeling;
  - Promote consumer education.
- Operations: identify better practices to help commercial fishermen and processors realize profitable opportunities, including:

- Establish standards to assure superior quality product;
- Build a certification program.
- People: Provide better information to help fishers and processors choose “best-fit opportunities” in the demand economy (rather than the supply economy), including:
  - Use a pilot project around Select Michigan (a state branding program);
  - Define gaps and future opportunities.
- Distribution: ensure continuing infrastructure of shipping, including:
  - Make direct deliveries to customers;
  - Establish target volume and price.

The industry developed a website for consumer education and conducted a semi-successful program using the Select Michigan campaign. However, the real breakthrough came in 2007 when the owners of four commercial fishing boats (one of which was tribal owned) decided to combine their resources to incorporate Legends of the Lakes Cooperative.

This cooperative would market Legends of the Lakes frozen whitefish fillets. The four members signed a “quality pledge” that dictated how the whitefish that would become Legends of the Lakes fillets were to be caught, stored, processed, frozen, packaged and distributed. Legends recently added a fifth member to the cooperative.

The impacts for the cooperative include:

- When Legends was incorporated, the average price was 80 cents per pound for whole lake whitefish;
- Legends members now receive \$6 per pound for pin-boned lake whitefish fillets at the plant for

product meeting Legends standards. By comparison, commodity (non-branded) producers receive \$4.50 per pound.

- Legends members created a brand with standards to support the \$6 per pound price.
- Price for Legends product is stable, while commodity whitefish prices fluctuate.
- Target audience is consumers interested in quality more than price.
- In the 2010/2011 marketing year, inventory of Legends whitefish sold out three months ahead of the projection.

Legends is continuing its product development efforts. In 2010, it added a frozen Whitefish Cake to its product line. This product is manufactured from meat that was formerly discarded during the deboning process.

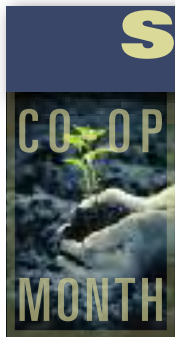


A third product – whitefish spread – was added in 2011. Thus, the members of Legends now have products that appeal to the upscale, quality-conscious consumer (frozen whitefish fillets); the mid-range youth consumers (frozen whitefish cakes), and the party/snack crowd (whitefish spread). A fourth product is now under development: a microwavable, seasoned lake whitefish fillet.

For more information about Legends of the Lakes, visit: [www.greatlakeswhitefish.com](http://www.greatlakeswhitefish.com). ■

# Planting the seeds for new food co-ops

**By Stuart Reid, Executive Director**  
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Since its early beginnings, the Food Co-op Initiative (FCI) has offered modest “seed grants” to qualified co-op organizing groups. These grants have become an integral part of our approach to building relationships and providing services that support grassroots co-op development.

Since 2005, FCI has awarded 31 seed

grants, ranging from \$3,000 to \$10,000. From the 17 awards made in years prior to 2011, 10 co-ops have opened and two more will open this year. In 2011 FCI made a record 14 grant awards to rural co-ops throughout the United States.

As with all co-ops, raising start-up capital for retail food co-ops can be challenging. Most food co-ops are consumer-owned, and capital does not come in until after incorporation. Even then, it may be some time before the co-op can afford to pay for significant project costs. Early access to Food Co-op Initiative grants can allow the co-op to obtain professional assistance during the critical early stages, when the co-op’s vision and goals are formed and

planning begins.

FCI’s first seed grants were made possible by donations from NCB (National Cooperative Bank) and the Blooming Prairie Foundation. These were awarded intentionally to a diverse assortment of community sizes, co-ops with dissimilar structures and visions and for varying purposes.

## Changing parameters for funding

Grant parameters have evolved as lessons were learned from earlier experience. Priority is now given to groups that show strong organizational talent, likelihood of adequate community support and market strength, and that show potential for

*The Company Shops Market in Burlington, N.C., is one example of a food co-op that has been assisted with a seed grant under the Food Co-op Initiative. Facing page: Staff and board members of the new Company Shops Market. Photos courtesy Luck Photography.*







the grant funds to make a meaningful impact.

In 2011, the seed grants were supported by Rural Cooperative Development Grant funding from the Cooperative Programs of USDA Rural Development, so all awardees were located in rural communities (by law, these USDA funds must be awarded to rural recipients). A typical grant award is for about the \$10,000 maximum allowed, which is then matched by money raised locally.

The applicant agrees to provide FCI with monthly updates on the project. Grant funds are disbursed when the recipient provides documentation that it has a contract or invoice for approved uses. FCI strongly encourages all retail food co-ops to obtain a professional market study, which is an approved use for the seed grants.

The initiative also supports professional budgeting and financial planning, legal advice for incorporation and membership structure, design work, member recruitment and capital campaigns. It can also support some innovative proposals that have potential applicability to other co-op organizing groups. These projects are tracked and documented as case studies that may be shared with other co-op organizers, when appropriate.

### **Building crucial relationships**

For FCI, the importance of the grants is all about relationships. Co-ops that receive seed grants commit to ongoing reporting, consultation and mentoring with FCI staff and its development partners. We track their progress and offer advice on best practices, recommend professional consultants, and review documents, budgets and plans. FCI staff also help to connect new boards with other co-ops, both start-up peers and well-established mentors.

Conference calls are scheduled monthly (or as needed) to allow the entire board and/or steering committee to discuss progress and ask questions. FCI staff use these calls and reports from grant recipients to help the co-op stay on track.

Thanks to the many co-ops FCI has already worked with, we often can see issues or obstacles developing before the organizing group is even aware of them. The relationship of trust that evolves through regular contact and respect allows FCI to promote best practices more effectively; co-ops are then less likely to dismiss our advice as inapplicable to their “unique” circumstances.

Grant recipients are asked to maintain this close working relationship

and to file reports for at least a year after receiving an award. Most co-ops are quite happy to continue the arrangement all the way through, and beyond, their store opening.

An additional benefit of this “hands-on” approach is the strong, lasting relationships that develop among the co-op organizers, FCI and other advisors and mentors. New co-ops need the support of their peers and often benefit substantially from the expertise and assistance of established stores in their area.

Successful food co-ops provide start-up co-ops with everything from financial assistance to staff training, used equipment, policies and procedures and help setting up displays. This is not a one-sided transaction. Co-ops that work with start-ups benefit from the improved skills that employees develop when they become trainers and mentors.

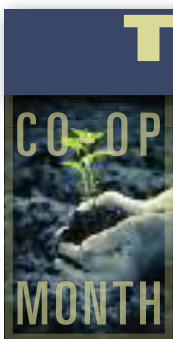
They also find inspiration and excitement in sharing their knowledge and success with new co-op communities. Best of all, the people involved in organizing the new co-op often become mentors and advisors to the next generation of start-up co-ops, continuing the cycle by giving back to the cooperative community that helped them succeed. ■



## Doctors organizing co-op to improve medical care in rural Pennsylvania

*By sharing resources, the Central Pennsylvania Physician's Cooperative (CPPC) hopes to help small rural medical practices reduce overhead costs. Photo courtesy CPPC*

**By Cathy Smith, Executive Director**  
Keystone Development Center  
e-mail: smith@kdc.coop



The Central Pennsylvania Physician's Cooperative (CPPC) continues to grow and evolve. This past summer, the steering committee of practice representatives decided to incorporate and move forward with the cooperative.

The group hopes to hire a nutritionist as soon as possible, who would ideally have a specialty in diabetes and could share time among all the cooperative members. The mostly rural practices that are forming the cooperative are primarily located in

Lebanon County, Pa., about 20 miles north of Lancaster, Pa., and 70 miles west of Philadelphia.

The city of Lebanon, which is part of the Harrisburg-Lebanon-Carlisle metropolitan statistical area (MSA), has about 24,461 residents. Lebanon County falls in the middle of the socioeconomic scale. It has 102 percent of the state's median household income, with a 6-percent unemployment rate. About 9 percent of the residents live below the poverty line. The county's population in 2010 was 133,568, about 1 percent of the state's total of 12.3 million people.

The members of the CPPC will be physician practices specializing in family medicine and primary care. Seven medical practices are currently represented on the co-op steering committee. Several of these practices

have one to two doctors, while two of the practices include 8 to 12 doctors.

Motivation for the formation of the cooperative is to share resources among practices that continue to struggle for viability in a world of increasing costs. Small practices are not able to hire specialty employees or capture volume discounts in purchasing. The cooperative allows the practices to work together for the benefit of each member.

This group has been meeting monthly for the past year, discussing how to work together. In addition to the physicians, these meetings have included key office staff and local hospital administrators. Besides sharing employees, the plan is to share in purchasing of supplies and medicines.

In the future, the cooperative would like to investigate group purchase of



health care insurance, or self-insuring the healthcare of employees. Employees generally prefer not to go to their employer for medical care, but they would be able to go to another practice in the cooperative and still have greater privacy. In this way the doctors might be able to partially self-insure.

An important partner in this project is the Family Medicine Education Consortium. The executive director of

this group recognizes the importance of the co-op project and its significance as a model for other rural and/or small practices across the United States. He is able to assist with communication between the Keystone Development Center's staff and the doctors. Because of busy schedules, the physicians have limited opportunity to discuss the cooperative's development.

The Keystone Development Center

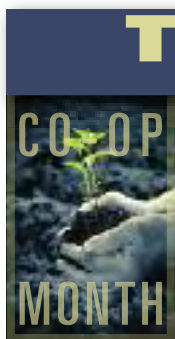
(KDC) has been providing technical assistance to the group for the past nine months. KDC staff introduced the basics of cooperatives to the group and conducted research on other physician cooperatives as possible models. In the future, it will assist the group in incorporation, writing of bylaws and feasibility analysis of various cooperative activities. ■

## Leadership co-op creates jobs, opportunities for Native Americans

**By Brian Gion, CEO**

Montana Cooperative Development Center  
brian@mcddc.coop

*Editor's note: Since its inception in 1999, the Montana Cooperative Development Center has provided cooperative education and project management, assisted with feasibility studies, developed business and marketing plans, helped develop articles of incorporation and bylaws and provided clients with access to local, state and federal funding sources. It also analyzes resources, assesses project eligibility, structures financial packages and develops applications. It has provided hands-on, cooperative education and project management assistance to 135 entities and managed and directed 48 feasibility studies; it has managed and directed 66 business and marketing plans and provided legal assistance to 46 projects, among other efforts. The Center has formed 42 cooperatives in the past seven years.*



The National Native Leadership Cooperative (NNLC) is an employment and economic development cooperative formed to create new employment opportunities for Native peoples and



Montana Lieutenant Governor John Bohlinger (center), congratulates Delbert Thomas and Steven Hadley for their work on the formation of the National Native Leadership Cooperative.

Native communities. It works through education, project development and marketing of members' and member companies' qualifications, work experience and abilities.

The founders of the NNLC have worked in communities throughout the United States for 30 years. Business experience gained in this time has provided valuable insight into the very specific problems that need to be addressed to ensure the success of rural U.S. economies.

The NNLC's primary goal is to keep

as many dollars circulating within a community as possible through project development and complete utilization of all community project resources. This means that when a community plans for a new school, activity center or infrastructure improvements, NNLC provides project design, specification and project management services to ensure that residents of the community have the opportunity to benefit from all aspects of the project. This includes giving them a chance at the construction jobs created by a project.

This is a very different development model than is typically found in small-town America. Today, a very small percentage of the best community contracts are actually performed by hometown contractors. What typically happens is that large construction companies from somewhere else come to town and bring their own workforce to complete the project. Very few local people are hired.

When this happens, millions of dollars are lost and the local economy suffers because the money leaves town and is spent elsewhere. Studies show that people spend the majority of their income where they live. So there are big advantages to keeping those dollars at home.

Economic goals of communities are best served when members of a community are involved in the project and benefit not only by the project's end use, but also by the most important resource of any project: the jobs created by the project.

NNLC provides a voice to the small-business person and assists communities with the creation of positive employment opportunities through

resource identification, resident education and training, and project development.

Three different membership types exist in the NNLC, each offering different kinds of services and benefits. The individual membership is for a person seeking to expand his or her presence as a qualified and skilled employee. An organization membership represents a Native company that is

seeking to expand its presence in the business market, and the Level III membership represents a tribal entity seeking to expand the opportunities of its tribal members through project development, education and training.

The primary focus of the NNLC is the promotion and success of individual tribal members who are either in business for themselves or employees of Native-owned companies. ■

## Don't let 'em go!

### How co-ops can keep vital businesses, services in rural communities

**By Noemi Giszpenc, Executive Director**  
Cooperative Development Institute  
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***Editor's note:** The Cooperative Development Institute is the Northeast center for cooperative business education, training and technical assistance, serving New England and New York since 1995. Its mission is to build a cooperative economy through the creation and development of successful cooperative enterprises and networks in diverse communities throughout the region. It provides assistance to existing and start-up cooperatively-structured enterprises in all business sectors: food, housing, energy, agriculture, arts, health, forestry, fisheries, retail, service and more.*



*The Old Creamery Co-op is "so much more than a store. It's part of the heart and soul of these towns," says board President Kimberly Longey.*

store in 2011.

One year ago, current owners Alice Cozzolino and Amy Pulley celebrated their 10th anniversary as owners of the Old Creamery, a beloved local grocery, deli and gathering place in a town of just over 1,000 people. Earlier that year, the pair had expressed to the community their desire to transition the creamery to a different form of ownership. At a packed community meeting, the Old Creamery Co-op was born.

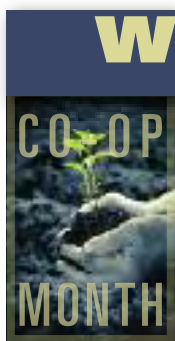
"It's so much more than a store. It's part of the heart and soul of these

towns," says Board President Kimberly Longey. "People are stepping forward enthusiastically to help shape the next phase of life of this 125-year-old business; it's not just a new venture, but also a continuation of the legacy of Alice and Amy and all the owners before them."

The co-op is poised to conclude its \$200,000 fundraising campaign, and is close to achieving its member equity goals. Working closely with the current owners, the board has completed marketing, financing, renovation, membership and business planning. With luck, it will make the final purchase this October.

Many volunteers have helped develop each piece of the puzzle. The project's supporters have been kept up-to-date throughout the process by Web postings, e-mail, newsletters and an all-important series of monthly, in-depth co-op conversations.

There aren't many stories of grocery store owners seeking to sell to a community-owned co-op, but co-op supporters say there should be. Bottom line: the owners of the Old Creamery are being honored and recognized for their hard work and dedication, and the community will keep its store and



hen a co-op creamery owned by dairy farmers opened in the small hill town of Cummington, Mass., 125 years ago, little did anyone imagine that the enterprise would go through about a half dozen transformations before returning to its roots as a community-owned cooperative general



gathering place.

## Co-op can preserve 'social fabric'

The need to retain valued institutions in rural areas — sources of jobs, homes and food, not to mention social fabric — can be met through the cooperative business model, which connects private and public interests.

In some cases, such as the Old Creamery, business owners are seeking a way to “move on” that preserves the value of what they have created. If the business boasts a loyal customer base, then conversion to a consumer co-op can make sense.

Sometimes a store owner can sell to an existing cooperative that is looking to expand, as was the case with Franklin Community Cooperative of Greenfield, Mass., which opened a second location when it purchased McCusker's Grocery in nearby Shelburne Falls.

Several scenarios make sense for conversion to a worker co-op. A business owner looking to sell — especially if the business is known for great service from long-time, knowledgeable employees — would do well to consider an employee buy-out.

Another example would be a business seeking to expand its workforce from a couple of highly motivated proprietors to a broader, but still entrepreneurial, team. The Crown O'Maine Organic Cooperative (COMOC) is in the process of turning a family operation into a worker-owned co-op.

Marada Cook, daughter of COMOC's founders, explains: “After our dad died, my sister and I became two heavily invested owners — financially, emotionally, mentally — in every possible way. Our business is quickly growing and innovative, outside of the norm of food distribution. We want to work with people who are as invested in it as we are, who will work hard and bring good ideas because it's



their business, too.”

A worker cooperative helps a business bring in more people, increasing its ability to grow and giving it longer term stability — making it less vulnerable to the “life-events” of any individual.

## Co-ops promote stability, growth

Stability and growth were also considerations for the Turtle Ridge Cooperative in Connecticut. In 2010, this group of consumers took over the Mill River Valley Gardens CSA (community-supported agriculture), which had been run for 21 years by retiring farmer Walter Greist. Now the consumer-members help plan the growing season and work on the farm alongside a hired farmer.

These consumer-members achieved stability in their source of local produce and increased membership 15 percent. With the majority of Connecticut farmers now approaching retirement age, communities need innovative ways to preserve working farmland.

Achieving stability is also the key motivation for the conversion of manufactured home parks into resident-owned cooperative communities (ROCC). As a certified technical assistance provider in the ROC-USA network, Cooperative Development Institute has assisted the conversion of privately owned parks, such as Oakwood in Ware, Mass., now the

Quabbin Sunrise Cooperative, and nonprofit-owned parks, such as Bunker Hill in Windsor, Vt. In both cases, the residents can now rely on themselves to manage the shared responsibilities of park upkeep and don't need to fear the dislocation of park closure or the uncertainty of rising lot rents.

In Auburn, Maine, organic dairy farmers who are members of the

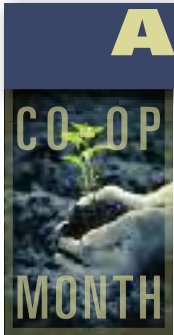
Organic Valley cooperative formed Maine Organic Milling Cooperative (MOM) to buy the privately held Blue Seal mill in order to preserve an invaluable organic feed resource. MOM now produces organic rations for dairy cows and other livestock throughout New England.

“When the Blue Seal mill in Auburn closed down [in 2009], it left many Maine organic dairy farms with limited options,” says Steve Russell, an Organic Valley farmer-owner and member of the Maine Organic Milling board of directors. “As local, organic dairy farmers, it is essential to our businesses — and frankly to the survival of our farms — to source the highest quality organic feed for our animals at prices that keep us profitable. We need this feed mill right in our own backyard. Our cooperative model and the attitude of banding together is what keeps us and our farms together.”

Rural communities are used to relying on themselves for their basic necessities and understand the value of interdependence among neighbors. The entrepreneurial spirit and hard work of business owners and the community-minded dedication of nonprofits can be honored and sustained past the time that individuals are ready to move on. The benefits that these businesses and organizations bring to their communities can continue, and even increase, through broadened ownership in a democratic cooperative. ■

# Growing Minnesota's dairy capacity

**Dan Lemke, Communications Director**  
Agricultural Utilization Research Institute  
www.auri.org



A leader in Minnesota's dairy industry is celebrating its rich history and looking to its future. First District Association cooperative recently marked its 90th anniversary with a major celebration, while plans to expand its operations by 30 percent and modernize production processes get underway. First District Association currently provides cheese and whey products to customers all over the world.

Several years ago, First District began looking at new technology to replace 30-year-old equipment at its Litchfield, Minn., processing facility for greater efficiency and new opportunities.

"It's never been our goal to see how big we can become vs. how good we can become," says First District President Clint Fall. "Our goal is to maintain the reputation and quality First District is known for.

"At the same time, we produce commodity dairy products used as food ingredients, so it is very competitive. We need to be competitive on a global basis."

The Agricultural Utilization Research Institute (AURI) was brought in to help determine the project's feasibility before the dairy processor made the commitment to move ahead. After a thorough evaluation, First District chose to move forward with the expansion and installed a state-of-the-art whey evaporator complex. It was one of the state's first major dairy processing expansions in years.

Three major construction phases due to be completed by fall 2012, including



*First District Association President Clint Fall is overseeing the growth of his dairy processing cooperative. The Litchfield, Minn., co-op is in the process of boosting milk processing capacity by about 30 percent. Photo courtesy AURI and Rolf Hagberg*

equipment replacement or expansion throughout the plant and a state-of-the-art milk-processing system, will allow First District to enhance both efficiency and quality, two critical elements that will boost Minnesota's ability to compete globally.

"Expansion plays an important role in securing the future success of First District and the entire Minnesota dairy industry," Fall says. "These plans will allow us to successfully market our products, satisfy customer needs and compete in a dynamic, growing global dairy industry."

The First District cheese plant produced 144 million pounds of cheese in 2010, or 4.54 pounds per second. The expansion will give the cooperative the ability to process 5 million pounds of milk a day — a 25- to 30-percent increase in production capabilities.

First District provides cheese to many of the most well-known fast food chains, restaurants and national grocery-store chains in the form of spreadable cheese, popular name-brand snack foods and bakery products. First District's whey products find their way

into leading brands of chocolate, infant formula, bakery products and pharmaceuticals.

First District has about 620 direct member-owners, and nine member creameries with 430 patrons. Together, they will produce over 1.5 billion pounds of milk this year.

"This expansion is tremendous news for the dairy producers in the region because First District will be able to take in more milk, expand services to current and new members and satisfy their customers," says Jennifer Wagner-Lahr, senior director for innovation at AURI. "It also shows a long-term commitment to Minnesota's dairy industry and is an example that real innovation is taking place in rural communities."

AURI is an agricultural research organization that provides scientific and technical assistance to Minnesota industries, cooperatives and entrepreneurs to help them take advantage of innovative opportunities in biobased products, renewable energy, co-product utilization and food. ■



# Focus On: Walton EMC

## Co-op program helps rescue disabled woman's home



*The stone for the columns of Maureen Richardson's home in Good Hope, Ga., was hauled by train from Stone Mountain in 1916. With help from Walton EMC's Operation Round Up, other parts of the home will get needed revitalization. Photo courtesy Walton EMC*



**A**mong the first things you notice when you drive up to Maureen Richardson's home in Good Hope, Ga., are the majestic oak trees surrounding it and the sturdy rock columns anchoring the porch. You can immediately tell the 1916-built home has character. It has memories to relive and stories to tell. But it's also crying out for a little help.

For many years, Richardson, who is disabled, had the help of her dad in maintaining the home. But since he died in 2001, she has struggled to keep up with needed repairs. As time wore on, roof leaks became more frequent. To keep her belongings from being damaged, Richardson shuffles them about the house to drier areas. A section of the rear of the home is also in distress due to a leaning foundation.

Eventually, her insurance company sent a laundry list of repairs required to keep her homeowner's insurance. She didn't know how she'd get them done. "You know that knot you hang on to at the end of your rope? Mine was fraying," says Richardson. Then came Walton EMC's Operation Round Up.

Walton Electric Trust, the volunteer board that administers Operation Round Up funds, is providing a grant to purchase building materials for needed repairs. The grant is going even further because volunteers are furnishing labor.

When the roof leaks are fixed and railings are installed on outside steps, she has plans to move in her 82-year-old mother, who now lives alone. "It's a blessing to have Operation Round Up," says Richardson. "I owe them my undying gratitude."

Operation Round Up funds come from Walton EMC customer-owners who allow their electric bill to be rounded up to the next dollar. The resulting change stays in the cooperative's 10-county service area and cannot be used to pay electric bills.

Other recent grants include:

- Step by Step Recovery Inc. — \$6,000 for a residential program that provides shelter for men and women undergoing drug and alcohol abuse treatment.
- Place of Seven Springs — \$10,000 to fund an emergency assistance program that provides emergency housing, food and prescription medications.
- Family Promise — \$5,000 for a van transportation program.
- Hebron Community Health Center — \$10,000 for Raising the Bar of Quality Care, a program that offers non-emergency primary care services to people with low income and no insurance.
- Various types of assistance for three other families.

Walton EMC is a customer-owned electric utility co-op that serves 118,000 accounts in a 10-county service area between Atlanta and Athens.

# Smith, Jenkins win communications honors



**Editor's note:** This article is excerpted from the June/July issue of *The Communicé*, the newsletter of the Co-op Communicators Assoc. It was written by Greg Brooks of Walton EMC and Amber DuMont of Maryland-Virginia Milk Producers.

**C**laire Smith, director of corporate relations for Sunkist Growers, is the 2011 winner of the H.E. Klinefelter Award, recognizing her for a career that has demonstrated excellence in the use of communications to build stronger cooperatives. The award was presented to Smith during the annual institute of the Cooperative Communicators Association (CCA), held in San Antonio, Texas, in June.

Winning CCA's top award for a young communicator, the Michael

Graznak Award, was Jason Jenkins, managing editor of *Rural Missouri*, a 540,000-circulation monthly tabloid newspaper published by the Association of Missouri Electric Cooperatives.

## Master of myriad responsibilities

"During Claire's watch as director of corporate communications, she has successfully helmed a myriad of responsibilities, from grower newsletters, news releases, speech-writing, producing corporate videos and even addressing acts-of-God disasters to the media with aplomb," says Sunkist's Director of Marketing Leland Wong. Among the words used to describe Smith by those supporting her nomination are: "mentor, dedication, professional, inspiration and grace." But perhaps the most complimentary of the words is, simply, "friend."

A native of Houston, Texas, Smith

earned a journalism and advertising degree from Texas Tech. Prior to joining Sunkist, she was assistant vice president of marketing and public and member relations for the Farm Credit Banks of Sacramento, where she directed the advertising program for a five-state area, managed member relations activities, served as spokesperson and was managing editor of the news magazine.

As if her current duties with Sunkist, the California-based citrus cooperative, aren't enough, she also shares her expertise with Fruit Growers Supply Co., a cooperative affiliate of Sunkist. Always with an eye toward giving back to her profession, Smith has served in a variety of leadership roles in several organizations, including: the National Council of Farmer Cooperatives; the Public Relations Society of America; the International Association of Business Communicators and the Southern California chapter of the National Agri-Marketing Association.

Her CCA involvement is long and varied. A 22-year member, Smith served two terms on the board and co-chaired the successful 1993 Institute in Monterey, Calif. An Institute presenter and newsletter contributor, she has also won several top awards in the CCA Communications Contest.

"Her wisdom in big-picture decision making is a true asset to our organization, and she was often the calming factor in heated discussions," says CCA President Allison Morgan, of Tennessee Farmers Cooperative.

"Keeping the welfare of others in the forefront is a trademark of Claire Smith's style, even when her own life has had more than its share of tragedies," says her Klinefelter application. "No matter how you peel it, when it comes to co-op



communications, Claire Smith has seen it all and done it all, better than just about anyone,” says another nominator.

### Graznak winner a trailblazer

“Innovator. Trailblazer. The total package.”

That’s how the Graznak Committee summed up its choice in selecting Jenkins as the 2011 Graznak Award winner. “Jason’s portfolio showed variety, creativity and mastery of cooperative communications,” says K.D. Graham, a member of the selection committee and 2006 Graznak recipient. “He is simply the total package.”

The award recognizes a communicator under age 35 whose work symbolizes accomplishments, contributions, competence and promise.

CCA created the award in 1977 to honor the memory of Michael Graznak, an outstanding CCA member who died while on field assignment for his cooperative, Farmland Industries.

Jenkins serves as a writer, photographer and editor for *Rural Missouri* and also oversees the magazine’s digital and social media presence. He won best of show honors in the 2008 and 2010 CCA photography contest and was the 2009 CCA Photographer of the Year. He’s also earned second runner-up honors in Writer of the Year judging.

Starting in 2008, he began shooting covers for *Rural Missouri* and for stories designed to run a year later. It has given the magazine a more seasonal look. Now, every cover photo is taken a year in advance.

When a powerful ice storm hit Missouri in 2007 and triggered requests for information from news media outlets, government officials and the general public, Jenkins designed a Storm Information Center that went into action after 2008 and 2009 ice storms. At the height of the 2009 storm, Jenkins’ Storm Information Center received more than 1.5 million web hits. He packaged photographs coming in from around the state with press releases showing progress on the restoration efforts and an interactive map highlighting the affected areas.

The website has earned a great deal of praise from the governor’s office and was in constant use by the State Emergency Management Association during the crisis. In February, the association tested the center from a remote location following a record snowfall that made it impossible to get into the office. The site again performed to perfection and was in constant use at the state’s Emergency Preparedness Center, where it was projected on a giant video screen.

Going beyond CCA, Jenkins manages the website for the Statewide Editors Association and he is a valued member of the Outdoor Writers Association of America. He was recently elected to their national board of directors and chairs the group’s strategic planning committee.

CCA’s board awarded Steve Jacobs, production coordinator for *GEORGIA Magazine*, the 2011 Outstanding Leader Award. The award is given annually to a CCA member who demonstrates exceptional leadership through his or her volunteer activities within the organization.

The next CCA institute will be held June 2-5, 2012, in Tucson, Az.

*continued on page 43*



Calcot’s Mark Bagby, as “Arizona Jones,” his wife Heidi (right), as femme fatale Adelaide Wisenheimer, and Teri Ditsch as Jones’ evil nemesis, Teresa Desperado, starred in a video spoofing “Indiana Jones.” It was followed by a live, bullwhip-cracking performance to invite CCA members to next year’s conference in Tucson, Ariz. USDA photos by Dan Campbell

# New Web tool helps dairy farmers capture energy savings

By **Rebecca MacLeod**,

National Energy Efficiency Liaison  
USDA Natural Resources Conservation Service  
**Robert Madeja**, Business Analyst  
Innovation Center for U.S. Dairy



**A** new web tool is available for members of dairy cooperatives across the United States to help them discover the cost savings and other benefits associated with energy efficiency on the farm. Under the leadership of America's dairy farmers, the Innovation Center for U.S. Dairy (Innovation Center) worked with USDA's Natural Resources Conservation Service (NRCS) and USDA Rural Development to develop the tool — SaveEnergy — for dairy farmers.

SaveEnergy was just launched in September to serve dairy farmers as a guide to all of the local, state and federal sources of financing available for energy audits and energy efficiency improvements. It also provides information and resources on how energy efficiency can be realized on dairy farms, the benefits of energy audits and real-world examples of dairy operations that have profited from energy audits.

Many existing websites offer information about energy efficiency. SaveEnergy, however, is uniquely designed to bring all of the available options together as a one-stop resource that helps dairy farmers to identify and compare all appropriate resources, to simplify the decision-making process and to help dairy farmers make energy choices that fit their particular operation.

"Dairy farmers are busy people. This is all about convenience and cost-savings," says Erin Fitzgerald, senior vice president of sustainability for the Innovation Center for U.S. Dairy and Dairy Management Inc., which



manages the dairy checkoff program on behalf of the nation's farmers. "By aggregating the various sources of financing in one place, we hope to reduce time, frustration and confusion for farmers and the field representatives and customer service teams who work with them. Quite simply, our goal is to give more dairy farmers access to energy savings. If the opportunity is out there, we want to make sure farmers have a shot at it."

The website facilitates the use of an energy audit, which is a good first step in the energy savings process. "When performed by trained professionals, a farm energy audit has been proven to reduce a dairy farm's energy use by 10 to 35 percent (according to actual audits conducted by EnSave, Inc.). The farm energy audit inventories a farm's current systems and equipment related to the milking parlor and housing, identifies the cost of energy and provides a detailed recommendation about actions, upgrades and potential savings that could most benefit the farm," Fitzgerald says.

The hierarchy of energy recom-

mendations on a dairy farm is illustrated by EnSave (a designer and implementer of agricultural efficiency programs) as an "energy pyramid," the base of which is analysis, energy conservation and efficiency. Other recommendations, including use of renewable energy, should be considered after implementation of all efficiency upgrades.

## Tool links farmers to local resources

One of the tool's most important features is the *SaveEnergy Finder*. The *SaveEnergy Finder* is an interactive map that instantly connects the user to state and local financial assistance programs for energy audits, incentives or rebates for equipment retrofits and a customized listing of local equipment suppliers and installers.

"The goal is to help dairy farmers make management improvements that reduce energy use and cost," says Christine Brodeur, manager of forward contracting operations for Dairylea and Dairy Farmers of America-Northeast. She is also a member of the Innovation



*Opposite page: A technician collects equipment data on a dairy farm during an energy audit. Most dairy farms reduce energy use by 10 to 35 percent as the result of an energy audit. Photo courtesy EnSave. Below: Dairy cattle on a Michigan dairy farm await milking. USDA photo by Lance Cheung*



Center's Sustainability Council.

"A qualified farm energy audit identifies areas for change that could result in the best return on investment," Brodeur continues. "While opportunities differ, there are often programs that could either partially or completely cover the cost of an audit or assist with an equipment update. This tool helps us to match farmers with those available programs."

The web tool highlights energy efficiency programs and services offered through USDA and provides contact information for USDA personnel who can help with applications for assistance. NRCS provides financial assistance toward developing an Agricultural Energy Management Plan (AgEMP), which determines energy used in farm activities, including milk cooling, irrigation pumping, heating and cooling of livestock production facilities, manure collection and transfer, grain drying and other common on-farm activities.

The AgEMP will identify activities where the farm could be more energy efficient. USDA Rural Development

administers the Rural Energy for America Program (REAP), which provides grants for energy audits and renewable energy development assistance. It also provides funds to agricultural producers and rural small businesses to purchase and install renewable energy systems and make energy efficiency improvements.

Many rural electric cooperatives and utility companies provide support for energy efficiency improvements and are featured on the interactive map as well. The tool will help to connect dairy farmers with utility providers — a sector they may not have previously considered as a partner in lowering energy consumption.

Dairy farmers, cooperatives and other dairy trade organizations can expect more good things on the horizon for farm energy efficiency. Additional resources available on the SaveEnergy tool will be added as changes occur in the farm energy efficiency sector. In the meantime, farm energy efficiency is just one of 10 projects currently under way at the Innovation Center for U.S. Dairy to help achieve the industry's voluntary

goal to reduce greenhouse gas (GHG) emissions of fluid milk production (from cow to consumer) by 25 percent per gallon of milk by 2020.

A number of strategies exist to help dairy farmers reach this ambitious goal, including the installation of anaerobic digesters — another project facilitated by the Innovation Center and its USDA partners. This is another example of the strength of partnership, with the Innovation Center providing outreach, NRCS handling technical support for design of waste management and USDA Rural Development supporting installation costs of alternative energy options that utilize the anaerobic digesters' output.

### **Simple changes can lead to real savings**

The SaveEnergy web tool is a great starting point because simple changes — such as changing light fixtures or a milk compressor — could generate real farm savings.

"Farmers are the original conservationists. Historically, we have raised the bar by reducing, reusing and recycling, using new technology and improving management practices on our dairies," says Steve Graybeal, a dairy farmer leader of Maryland Virginia Milk Producers Cooperative Association and a member of the Innovation Center for U.S. Dairy's Sustainability Council. "Still, many farmers aren't aware of how easy or affordable it could be to adopt energy efficient best practices. We want to change that with tools like SaveEnergy."

The tool will help dairy farmers reduce costs, become more energy independent and keep their competitive edge. To learn more, visit the Innovation Center for U.S. Dairy at [USDairy.com/SaveEnergy](http://USDairy.com/SaveEnergy) or call 1-800-732-1399. ■

# Newsline

## Co-op developments, coast to coast

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

### Farmer Co-op Conference to focus on globalization, innovative finance

Global demand and supply directly impact prices for American agricultural producers. The business side of the food chain — including food security — can require investment in transportation, terminals and other significant assets. How will agricultural cooperatives reinvent themselves in response to challenging opportunities? What financing options exist, and how will co-op members be rewarded?

The current global economic impact on agriculture, the challenges these volatile economic conditions create for ag cooperatives and some of the responses adopted by co-ops will be addressed at the 14th annual Farmer Cooperatives Conference, Nov. 3-4 in Minneapolis, Minn.

Organized by the University of Wisconsin (UW) Center for Cooperatives, this annual event features the latest research, trends, critical thinking, innovative approaches and case studies about cooperatives as business entities. Attendees are agribusiness managers, board members, educators, researchers, accountants and many other professionals.

“It is the one national conference that focuses on agricultural cooperatives themselves, rather than on the state of the industry or an industry sector,” says Anne Reynolds, assistant director for the UW Center for Cooperatives.

The theme this year is “Meeting Competitive Challenges: Cooperative Structure and Finance for the Future.” Eight sessions in two days will address global challenges in the food producer



market, innovative approaches to finance, consolidation among cooperatives, price volatility, energy and the credit marketplace, and managing risk for cooperatives and their members.

“Listening to experts weigh in on potential market developments may also provide attendees with the foresight to prepare for adverse or positive market developments,” says Jennifer Keeling Bond, assistant professor in agricultural and resource economics at Colorado State University and a member of the conference planning committee. “Seeing how other cooperatives have made adaptations may inspire audience members to try something new at their own co-op. This event not only creates a forum where practitioners and academics can share ideas and observations, it also provides a

tremendous networking opportunity for top cooperative leaders.”

Early registration for the conference, to be held at the Radisson Plaza Hotel Minneapolis, is encouraged. More information about the conference and registration is available at: [www.uwcc.wisc.edu](http://www.uwcc.wisc.edu), or by contacting Reynolds at 608-263-4775 or [atreynol@wisc.edu](mailto:atreynol@wisc.edu).

### NFU supports Year of Cooperatives; Johnson stresses need for rural development

The National Farmers Union (NFU) board of directors has passed a resolution in support of naming 2012 the “International Year of Cooperatives,” as previously designated by the United Nations General Assembly. The U.S. Senate is considering a similar resolution, introduced by U.S. Senators Tim Johnson of South Dakota and Thad Cochran of Mississippi.

“NFU has a long history of supporting the development of farmer-owned cooperatives as a way for farmers to add value to the food, fiber and energy they produce,” says NFU President Roger Johnson. “Cooperation is one of the three sides of NFU’s triangle. Cooperatives and cooperative education are keystones of rural communities and remain essential to our future.

“The cooperative business model has been expanded beyond the agriculture sector to serve the needs of many different industries, consumers and patrons who want to enjoy the benefits of a business that they own and control,” he continues. “The NFU



board is pleased to see the U.N. recognize the role that cooperatives play in economic development around the world.”

In other NFU news, Johnson accompanied President Barack Obama and Agriculture Secretary Tom Vilsack in August on a three-day Midwestern rural tour. The trip took them through Minnesota, Iowa and Illinois.

Johnson emphasized the importance of safety nets, rural development

programs, conservation and renewable energy. “As Congress begins to write the next farm bill, one thing that the legislation must include is a strong safety net for farmers and ranchers,” said Johnson.

“With the struggling economy, we must deploy rural development initiatives to create jobs,” he said, adding that “renewable energy continues to be a big part of development in rural areas.”

## Nearly half of nation's milk supply now under FARM umbrella

Today's consumers want to know that the food they purchase is safe, wholesome and nutritious. The National Milk Producers Federation (NMPF) reports that U.S. milk producers are demonstrating that commitment by enrolling at a rapid pace in the National Dairy FARM Program: Farmers Assuring Responsible

## Chad Parker to lead USDA Co-op Programs

Chad Parker has been named as the new deputy administrator for USDA's Cooperative Programs. The office is responsible for assisting the nation's producer-owned cooperatives with co-op education materials (including *Rural Cooperatives* magazine), research, statistics, technical assistance and co-op development assistance. It also administers financial programs that can benefit co-ops, including: the Value Added Producer Grant program; Rural Cooperative Development Grant program; Small Socially Disadvantaged Producer Grant program; and the Rural Business Opportunity Grant program.

Cooperative Programs is an integral part of the Rural Business-Cooperative Service, which is within USDA Rural Development.

Parker says he will strive to foster partnerships between rural economic development entities in the private sector, cooperatives, business development associations, rural lenders, other rural development interest groups and the Rural Business-Cooperative Service.

“Chad is going to be a great leader for this program and will carry on its long tradition of service to the nation's cooperatives and their members,” says Dallas Tonsager, under secretary for USDA Rural Development, himself a strong advocate for cooperatives. “In addition to a background in agriculture and working with co-ops, Chad has the advantage of knowing the inner working of USDA very well, which will prove to be a great advantage.”

Parker started his USDA career working with electric cooperatives as a rural development specialist with the Rural Electrification Administration (REA), a job he held from 1991-1995. The REA is now called the Rural Utilities Service,



also part of USDA Rural Development. He then became a senior loan specialist with the Community Programs office of USDA Rural Development, which helps build a strong rural infrastructure by providing financial assistance for essential community facilities, such as police and fire stations and equipment, medical clinics and hospitals, schools and community centers and industrial parks. From 1998 until 2010, he was director for the direct loans and grants branch of that office.

Most recently Parker was acting deputy administrator for the Single Family Housing program of USDA Rural Development.

“My background is in agriculture, cooperatives and economic and community development,” says Parker. “I believe my experiences have prepared me for the challenge of broadening USDA's role in supporting rural cooperatives. I look forward to learning more about the needs of the nation's cooperatives and how USDA can continue to strengthen its historic partnership with them.”

Parker earned his MBA from the Pamplin School of Business at Virginia Tech in 1991. He also earned a BS in Marketing, with a minor in English, from the same university in 1988.

As a youth he raised Duroc and Landrace swine, and as a 4-H member he participated in its wildlife, livestock and demonstration/public speaking programs. He was also an FFA member.

“I welcome any suggestions readers may have about how USDA can enhance ongoing rural cooperative assistance efforts,” Parker says. He can be contacted at: Chad.Parker@wdc.usda.gov.

Management (FARM). Since the program began in September 2010, 45 percent of the nation's milk supply — coming from cooperatives, farmers and proprietary processors — has been reenrolled in the FARM program.

Voluntary and open to all producers, FARM is a national dairy animal care, third-party-verified program designed to demonstrate dairy farmers' commitment to outstanding animal care and a quality milk supply. "Telling this story is essential at a time when consumers want to know how their food is produced," says John Miles, Land O'Lakes FARM implementation leader. "The FARM program helps us reach out to customers, consumers and the entire marketing chain. It sends a strong message that Land O'Lakes member producers work hard caring for their animals and producing quality milk."

FARM was created by NMPE, along with support from Dairy Management Inc.

Participating producers are provided comprehensive training materials and undergo an on-farm evaluation conducted by a trained veterinarian, extension educator, co-op field staff member or other FARM-trained professional. Evaluators then provide a status report and, if necessary, recommendations for improvement.

## Blue Diamond wins food safety award; hosts event focusing on trade, jobs

Blue Diamond, the leading U.S. almond grower and manufacturer, announced that its Sacramento manufacturing facility was named "Plant of the Year of the Pinnacle Club" by the American Council for Food Safety and Quality. The Council, which maintains state-of-the-art food labs and testing facilities, promotes better understanding of food safety issues among growers, processors and purchasers of dried fruit and tree nuts. It has a formal working partnership agreement with the U.S. Food and Drug Administration.

At its annual meeting in July, the

Council recognized top performing members and companies in the area of food quality and safety, designating them for the "Pinnacle Club." This recognition is based on scores from



*U.S. Trade Ambassador Ron Kirk discusses pending trade agreements in Sacramento. At left is Karen Ross, secretary of the California Department of Food and Agriculture; at right is Blue Diamond President and CEO Mark Jansen.*

tri-annual, unannounced GMP (good management practices) and sanitation audits, certification of HACCP (Hazard Analysis and Critical Control Points) plans and achievement of higher levels of food safety certification. Blue Diamond's award recognizes it as the "best of the best" in a group of about 75 plants and facilities inspected. Blue Diamond is a producer co-op owned by more than half of the state's almond growers.

In other Blue Diamond news, job creation that could result from approval of pending free trade agreements (FTAs) was the hot topic at an agricultural roundtable held at the co-op's headquarters in Sacramento. The roundtable was led by United States Trade Representative Ron Kirk, who said Congress was expected to consider approving FTAs with South Korea, Colombia and Panama when it reconvened in September. If approved, the trade deals would greatly increase the ability of U.S. exporters to compete in the global marketplace.

Ambassador Kirk commended

California's agricultural organizations for making the state the largest exporter of agricultural goods in the nation. "Every billion dollars in agriculture exports supports almost 8,500 jobs, on the farm and on production lines," Ambassador Kirk said. He urged participants to educate their friends and neighbors about the positive impact that trade agreements and exports bring to local communities.

Almonds are California's largest food export (valued at \$2 billion annually) and the nation's sixth largest food export. Seventy percent of the almond crop is exported to 95 countries. It is estimated that a

record, 1.95-billion-pound crop will be harvested this year. California grows more than 80 percent of the world's almond supply. Worldwide consumption of almonds has grown every year since 2005 at an average annual growth rate of 10 percent.

## Livestock genetics co-op wins Compass Award

Accelerated Genetics, a Wisconsin-based global provider of bovine genetics and research, has been presented with the Compass Award for its long-term commitment to excellence in the stewardship of its employees' retirement assets. The award was given to the co-op by Francis Investment Counsel, a nationally recognized expert retirement plan investment consulting organization.

"The leadership team at Accelerated Genetics has put in place and maintained over many years a system of in-depth due diligence, rigorous ongoing oversight and consistent employee education that represents industry best practices," says Mike



Francis, president of Francis Investment Counsel. This has led to above average results.

Whereas 84 percent of Accelerated Genetics employees save in their co-op's plan, other plans average a 74-percent participation rate, according to Vanguard, a leading manager of mutual funds. Further, the average Accelerated Genetics co-op saver defers 8 percent of his or her income to the plan, vs. a

national average of 6.9 percent of income.

### CHS, Cargill eye expanded scope for TEMCO

CHS Inc. and Cargill announced in August that the two agribusiness companies are in discussions to expand the scope of TEMCO LLC to include other Pacific Northwest export assets owned by the companies. TEMCO,

which operates an export facility in Tacoma, Wash., is owned equally by CHS, the nation's largest ag co-op, and Cargill.

TEMCO currently exports corn, soybeans and milo to Asia Pacific markets. Cargill and CHS both said that the TEMCO joint venture has been successful and that they are considering expanding the scope in anticipation of continued demand for



## Telling the co-op story at USDA

A hallway display case at USDA headquarters in Washington, D.C., was recently re-designed by staff from the National Council of Farmer Cooperatives (NCFC). The display now provides an overview of the role and functions of U.S. farmer co-ops and includes samples of co-op products. Responsible for the display overhaul (bottom photo, from left) are: Brandon West, an NCFC intern and Kansas State University student from Marion, Kan.; Kathleen Heron, NCFC manager of member relations and development; Kelsey Swango, NCFC's manager of government affairs; and Emily Parkman, an NCFC intern and student at Clemson University, from Swansea, S.C. USDA photos by Dan Campbell



wheat, feed grains, oilseeds and by-products in Asia.

### **CDF fund to help co-ops hit by hurricane**

Citing the need to help in the recovery of cooperatives impacted by Hurricane Irene, the Cooperative Development Foundation (CDF) has created the Hurricane Irene Cooperative Recovery Fund. The fund will direct tax-deductible contributions specifically to individuals and cooperative businesses along the East Coast and throughout New England that have experienced losses. The fund also will seek to assist organic farmers who are prime suppliers to food cooperatives. For complete details, visit: [www.cdf.coop](http://www.cdf.coop).

The first contributions to the fund were \$5,000 from the National Consumer Cooperative Bank (NCB) and \$5,000 from the National Cooperative Grocers Association (NCGA). The fund will seek contributions from all sectors of the cooperative business community and from the general public.

“Regions throughout the continental United States have been hit by a devastating series of storms, tornadoes, floods and wildfires. In the latest major storm, Hurricane Irene, the victims again include co-ops and their members; we want to help them,” says CDF Executive Director Liz Bailey. “The devastation has been massive, with flooding and wind damage that has inundated both urban and rural areas from North Carolina to Vermont. This is all about co-ops helping co-ops.”

### **Missouri co-op, USDA help college expand energy program**

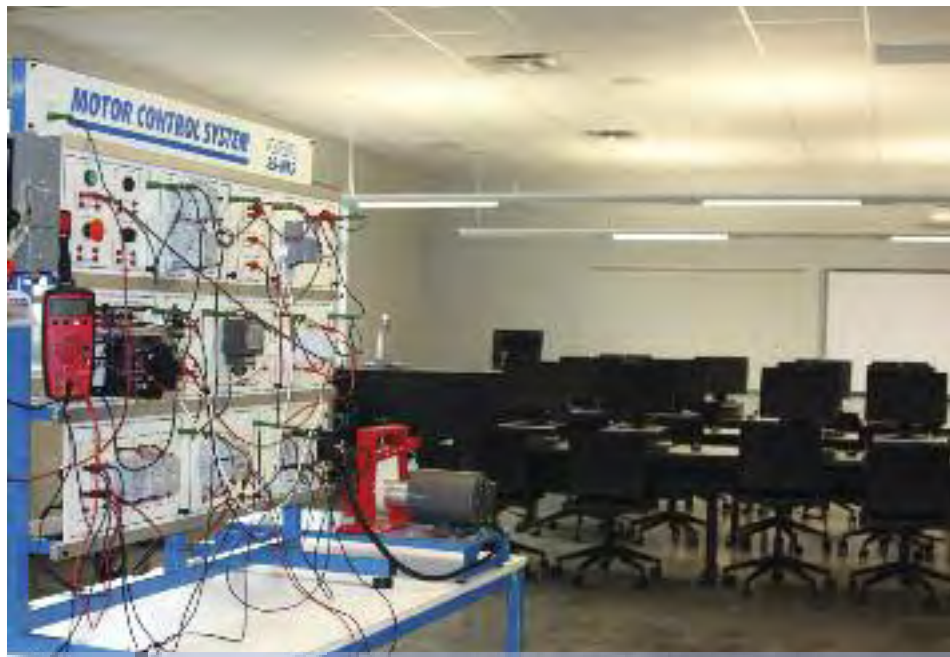
A Trenton, Mo.-based electric co-op has been recognized by USDA for its role in helping a local college obtain financing for a new agricultural campus. Grundy Electric Co-op worked with North Central Missouri College to obtain a \$740,000, interest-free loan under USDA Rural Development’s Rural Economic Development Loans and Grants (REDLG) program. The

program helps co-ops underwrite community-development and job-creation projects.

The new campus will help students prepare for careers in fields that include alternative energy and wind energy technologies. The farm’s solar panels and a 10-megawatt wind turbine will allow hands-on training. Students may also participate in internships at northwest Missouri wind farms from which Springfield-based Associated Electric Cooperative purchases power

Kansas. Regulations issued by the Farm Credit Administration, the independent regulator for the Farm Credit System, prohibit the disclosure of exact vote tallies in order to preserve voter confidentiality. However, the stockholders of both organizations approved the merger by substantial majorities.

“We’re delighted that our stockholders have demonstrated such enthusiastic support for this merger, which will create an even stronger,



*A classroom at North Central Missouri College (NCMC) where students can train for careers in wind energy and other alternative energy sources. Photo courtesy NCMC*

for its distribution co-op members.

The Barton Farm project marks the third time the co-op has worked with USDA on REDLG-assisted efforts to benefit the college. Previous projects involved construction of a community center and gym as well as construction of a health center and other facilities.

**Editor’s note:** reprinted courtesy ECT Magazine.

### **CoBank, U.S. AgBank merger approved by stockholders**

CoBank and U.S. AgBank stockholders have approved a proposed plan of merger between the two banks. Ballots were tabulated at special meetings Sept. 7 in Colorado and

more durable bank that is better able to fulfill its mission to serve future generations of rural borrowers,” says Everett Dobrinski, board chairman of CoBank. “We look forward to receiving final regulatory approval and closing the merger at the beginning of the year,” adds John Eisenhut, board chairman of U.S. AgBank.

CoBank and U.S. AgBank executed a letter of intent to merge in December 2010. The merged bank will continue to do business under the CoBank name and be headquartered in Colorado, but will also maintain U.S. AgBank’s existing presence and operations in Wichita, Kan., and Sacramento, Calif. The bank will continue to be organized



and operate as a cooperative, with eligible borrowers earning cash and equity patronage based on the amount of business they do with the organization.

The bank will have more than \$90 billion in projected assets post-merger and a well-diversified loan portfolio encompassing every major sector of U.S. agriculture, as well as the rural water, power and communications industries. Robert B. Engel, CoBank's president and CEO, will remain the chief executive of the combined entity. Darryl W. Rhodes, president and CEO of U.S. AgBank, will retire in connection with the merger.

"Through its wholesale lending to 30 Farm Credit associations and direct lending to agribusiness and rural infrastructure companies, the combined bank will be one of the leading providers of credit to America's rural economy," Rhodes says.

### Worker co-ops eligible for SBA pilot program

In a recent meeting at the U.S. Small Business Administration (SBA), National Cooperative Business Association (NCBA) leaders discussed the different types of cooperatives and how they relate to the agency's lending programs. SBA staff determined that

worker cooperatives are eligible for loans from lenders participating in its new Intermediary Lending Pilot Program (ILP) program.

ILP Intermediaries were selected last summer and should be ready to start making loans under the program this fall. NCBA will continue to assist SBA on this issue, including exploring the financing of all types of cooperatives under SBA's other lending programs and plans to work with them in the future.

For more information, contact R.L. Condra, NCBA's director of public policy at: rcondra@ncba.coop, or 202-383-5480. ■

### Smith, Jenkins win communications honors

*continued from page 35*

Top award winners in each of the four CCA contest areas were:

- Writer of the Year — Megan McKoy-Noe, National Rural Electric Cooperative Association, for a

portfolio of articles.

- Publication of the Year — "Fresh," produced by the communications staff of Tennessee Farmers Cooperative;
- Photographer of the Year — Kyle Spradley, of the Missouri Association of Electric Cooperatives, for a portfolio of photos.
- Programs and Projects, Best of Show: the 2010 Dairy Farmers of America (DFA) annual meeting, produced by

the DFA communications team.

USDA's *Rural Cooperatives* magazine won two honors: Editor Dan Campbell won second place for feature writing for "The Little Co-op that Could," about a Vermont food cooperative; Assistant Editor Stephen Thompson won an honorable mention for news writing for "Biofuel Prometheus," about a biodiesel cooperative. ■

### Farm Credit turns 95

*continued from page 15*

decided to begin composting it instead. Cotton compost is a nutrient-rich soil additive that effectively breaks up clay soils, but no one was producing it yet in their central Texas region.

Using a large aerobic in-vessel composter they installed in 2007, the Kasbergs are now able to produce 15 cubic yards of compost a day, although their composting process takes several months. Today, Birome Gin is the only central Texas gin that is bagging compost. They sell in bulk and also bag and market their "Birome Gin's Best" through garden stores in the Waco area.

"Burrs used to be a cost to the gin," Gerry Kasberg says. "When it got where they didn't cost you, it was a big

deal. Now it's nice to be able to make a little money off them."

It is because of innovations like this and the Kasbergs' experience and good business sense that the 100-year-old gin continues to thrive, according to the Kasbergs' Texas Land Bank loan officer, Ryan Janek.

### Nearly a century of service

"After 95 years of supporting agriculture and rural America, Farm Credit is proud to introduce America's hardworking farmers and ranchers — such as the Freemans and Kasbergs — to consumers as we celebrate this important milestone," says Joy Upchurch, a Farm Credit System employee for more than 30 years and vice president of AgFirst Farm Credit Bank, one of the wholesale banks within

the Farm Credit System.

Farmers, ranchers and agribusiness leaders have developed new, more efficient and sustainable ways to thrive in the business of agriculture, all while bringing safe, high-quality products to market. Each Producing Excellence profile highlights the individuals who have dedicated their lives to agriculture.

Farm Credit is planning additional 95th Anniversary initiatives throughout the coming year, including activities around its partnership with America's Heartland, a PBS television program featuring American farmers and ranchers who share a passion for hard work and excellent products, as well as a commitment to food safety, sustainability, environmental stewardship and animal welfare. ■

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