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Rural COOPERATIVES

January/February 2018

LEARNING THE ROPES



Mentorship programs help recruit next-gen farmers



United States
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Agriculture

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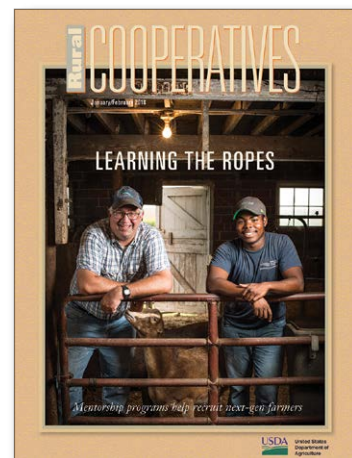
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ON THE COVER: D'Quinton Robertson (right) has gained knowledge and skills about what it takes to run a farm while working with mentor Aaron Lehman. Such mentorship programs are among the most effective ways for U.S. agriculture to recruit the "next-generation" farmers and ranchers needed to keep America the world's leading producer of food, fiber and renewable energy. USDA Photo by Preston Keres



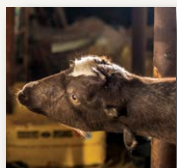


Cultivating Next-Gen Farmers

*Mentorship and other programs help
open doors for beginning farmers*

By Catherine Merlo

Editor's note: Merlo is a Bakersfield, Calif.-based writer/editor with extensive experience covering cooperatives.



D'Quinton Robertson didn't grow up on a farm. With a father who spent his career in the military, Robertson wasn't part of 4-H or Future Farmers of America. But today, the 20-year-old Iowan dreams of

becoming a farmer.

"Not a lot of people of my generation want to be in agriculture," Robertson says. "I'm in the 1 percent that wants to keep it alive. Farming is so positive, a really cool and awesome way to help others."

Helping Robertson along on his path to a career in agriculture has been Iowa farmer Aaron Lehman, who has provided on-farm mentorship, helping the beginning farmer learn the ins and outs of what it takes to succeed in agriculture. Indeed, so close has

their working relationship been that Robertson says he looks at Lehman almost as a second father.

For his part, Lehman says the mentorship program has been a two-way street, and that he has learned as much from Robertson as he has taught.

Young farmers needed

Robertson's career goal is good news for U.S. agriculture. A 30-year trend shows the nation's farmer base is not only declining in number, but is also aging, leaving the industry with

Opposite page: Living and working on his uncle's Iowa farm, D'Quinton Robertson raises horses, chickens and sheep. He participates in rodeo competitions and is involved with racing horses.

"I've learned that agriculture is a lot more than working the dirt," D'Quinton Robertson says of working with mentor Aaron Lehman. For his part, the Iowa-based Lehman says the mentorship program has been a two-way street, and that he has learned as much from Robertson as he has taught.

USDA photos by Preston Keres



a critical need for next-generation farmers. Results of USDA's 2012 Agriculture Census, the most recent official agricultural data, underscore that need:

■ Between 2007 and 2012, the number of principle operators on farms declined 4.3 percent, to 2.1 million.

■ For 30 years, farmers as a group have been steadily getting older. In 2012, their average age climbed to 58.3 years. Today, the American farmer who has been farming for 11 years or more averages 61 years old, according to the National Farmers Union (NFU).

■ As older farmers retire, fewer young farmers are taking their place. Between 2007 and 2012, the number of new farmers operating for less than 10 years fell 20 percent.

Farm ownership in transition

Replacing the nation's shrinking farmer population poses major challenges. Beginning farmers face numerous barriers, including access to land and capital and a lack of knowledge and experience. Further, without farmer replacements, who will own or operate American farms? Ten



Working on Lehman Farms has taught Robertson the ins-and-outs of farming on a conventional and certified organic corn, oats, alfalfa and livestock operation.

will be importing all our food.”

Fortunately, a network of organizations, agencies, programs and established farmers is working to give hopefuls like Robertson a chance to enter the narrowing ranks of production

attending a community college in Iowa and wondering where his life was headed. Fond memories of childhood visits to his grandparents' small Alabama farm, which has been in his family for generations, seemed to pull

“Farming is so positive, a really cool and awesome way to help others.”

percent, or 93 million acres, of all land farmed in the United States is expected to be transferred between 2015 and 2019, according to USDA's Economic Research Service.

“We're seeing the children of rural families moving into the urban population, and there's no one to transfer that land to,” says Melissa Miller, NFU's education director.

“America desperately needs young people to repopulate our farm and ranch lands,” notes Kathleen Merrigan, executive director of sustainability at George Washington University. “If nothing more is done to help transition people into American agriculture, we

agriculture.

Among them is NFU, which has supported family farmers, ranchers and rural communities since 1902. The organization hosts an annual Beginning Farmers Institute to help 20 novice farmers build leadership and farm management skills over three multi-day gatherings. It was during the 2016 institute's fall session, held in Washington D.C., that Robertson's dream of becoming a farmer was set in motion.

A beginning farmer introduction

Robertson, then 19, had been

him toward agriculture. In Iowa, he occasionally helped out a few friends on their farms.

Then his stepmother, Evelyn Garrison-Robertson, an urban horticulturalist in Des Moines, Iowa, with some knowledge of agricultural grants and programs, stumbled across NFU's Beginning Farmer Institute. She encouraged Robertson to apply. To his surprise, he was accepted.

Taking his first-ever airplane trip, Robertson flew into the nation's capital. At the institute, held in conjunction with a larger NFU national conference, he met both beginning and established farmers from across the country. He

attended sessions highlighting ways to access land, capital and various programs that assist beginning farmers. He learned about the role of farmer cooperatives.

Robertson also visited with U.S. members of congress, USDA officials and administrators from other federal agencies. Most importantly, he met Lehman, his soon-to-be mentor.

A fifth-generation producer, Lehman farms 550 acres of conventional corn, soybeans and hay as well as organic corn, soybeans and oats near Alleman, Iowa. He is active in several industry and community organizations, and serves as president of Iowa Farmers Union.

When Lehman and Robertson met at the Washington, D.C., institute, they clicked. “We talked about his operation, and I asked if he needed any help,” Robertson remembers. “Aaron said, ‘Yes, come on out.’”

Returning home to Iowa, Robertson made the 30-minute drive to Lehman’s farm. The aspiring farmer spent the next two years working for Lehman Farms.

“I’ve learned that agriculture is a lot more than working the dirt,” Robertson says.

Through Lehman, he learned firsthand about the many ways that weather impacts crops. The two discussed commodity price fluctuations and business and marketing considerations. They talked about the agricultural system, the methods and challenges of organic production, and how consumers increasingly want to know more about the people who grow their food.

Robertson gained a better understanding of the rural cooperatives Lehman belongs to, such as Heartland Co-op, Landus Cooperative, Key Cooperative, Midland Power Cooperative and Iowa Food Co-op.

“I’m no expert,” says Lehman, whose own two children are attending college. “But it’s important that we look after the next generation in agriculture.”

It was a learning process that worked



Lindsey Lusher Shute, executive director and co-founder of the National Young Farmers Coalition, on her farm with her husband, Benjamin Shute, and children. The Shutes have mentored many young farmers. Photo courtesy Hearty Roots Community Farm

both ways.

“I was really fortunate with D’Quinton,” Lehman says. “Young people have grown up with electronics, so they have a certain familiarity with equipment. That’s been very helpful. It has also helped broaden my thinking to hear another person’s perspective on agriculture. It’s been refreshing.”

Robertson has since moved to a new ag-related role away from Lehman’s farm, although he continues to help

Lehman, especially during planting and harvesting.

In 2017, Robertson entered an equipment service and maintenance training program with John Deere in Milford, Neb. He has a five-year commitment to the company once he completes the program. He hopes to use that training someday if he ever gets into a position to run his own farm — possibly his grandparents’ Alabama farm. He believes the mentoring he’s

received so far has been invaluable in leading him toward his farming goal. “Nobody can do it by themselves,”

Robertson says. “If you don’t know too much about something, you’re not going to be as successful without having

someone who’s already taken the steps, who can coach you and teach you the things you need to know.”

From the Armed Forces to Farming

Not all beginning farmers are twenty- or even thirty-somethings. Some are military veterans who are starting new careers in their 40s after serving their country both here and abroad.

One person who saw the potential of helping military veterans become farmers is Michael O’Gorman. His own 40-year career was spent helping major agricultural companies grow their crops in California, Arizona and Mexico. His son also served two deployments under Operation Iraqi Freedom.

O’Gorman got serious about helping military veterans become farmers after he learned from a Carsey School of Public Policy study that a disproportionately high number of military troops killed in action were from rural America. He was also aware that military veterans, many of whom had seen combat, were returning home to rural communities in need of jobs.

O’Gorman decided to help. In 2008, he founded Farmer Veteran Coalition (FVC) for the “thousands of men and women looking for meaningful work,

who found farming to be good for their well-being, their families and their communities,” he says.

Since its start-up, some 10,000 military veterans have reached out to FVC. The organization offers numerous resources, educational training, webinars and internships to help veterans launch new careers in agriculture. FVC helps also beginning veteran-farmers connect with mentors or peer advisors.

The group’s Fellowship Fund has awarded \$1.5 million to more than 400 veterans already invested in farming. The funds, provided through third parties, have helped veterans-turned-farmers drill wells, build barns and greenhouses, purchase livestock and obtain other critical agricultural items.

FVC also manages the “Homegrown By Heroes” label, used by 1,200 veterans to promote their farm products in the marketplace. In addition, the coalition also partners with Kubota Tractor Corporation in a “Geared to Give” program that awards new tractors to four veteran-farmers each year.

O’Gorman has discovered that military vets bring more to farming than the administrative skills, technology knowledge, leadership and decision-making skills they acquired while serving their country.

“We’re finding they have had this significant life experience,” O’Gorman says. “When veterans decide farming is for them, they bring an unwavering determination that is unique.”



Matt Mccue, an army veteran who owns and operates Shooting Star Organic Farm in Fairfield, Calif., has benefited from help provided by the Farmer Veteran Coalition. Photo courtesy Susanna Frohman



Nate Looney, an Army National Guard veteran, owns and operates Westside Urban Gardens in Los Angeles, Calif. He is one of more than 10,000 military vets who have been assisted in starting farms or other agri-businesses by the Farmer Veteran coalition, which was started in 2008. Photo courtesy Susanna Frohman

Major barriers for beginning farmers

Robertson's path to farming, however, isn't likely to be easy. A recent survey conducted by National Young Farmers Coalition (NYFC), in partnership with Kathleen Merrigan, found major barriers to the success of beginning farmers. Among them: access to land, affordable health care and mounting student debt. The survey, released in November 2017, collected data from 3,517 current, former and aspiring U.S. farmers under age 40.

The top challenge cited by respondents is land access, particularly finding and affording land on a farm income. It's also the main reason, NYFC notes, why farmers quit farming and aspiring farmers haven't yet started.

Beginning farmers looking to buy land must compete with well-established farmers, developers and investors and are often priced out

of the market, says Lindsey Lusher Shute, NYFC executive director and co-founder.

"The time is now for our country to help young farmers defy the odds, preserve farming as a livelihood and revitalize our nation's rural economy," she says.

The outlook for next-generation farmers is especially troubling in California, the nation's No. 1 agricultural state.

"The average age of farmers here is 60 years old," says Brett Melone, director of lending at California FarmLink, which assists beginning farmers. "At the same time, beginning farmers are losing ground. From 2007 to 2012, California lost more than 6,000 beginning farmers, a 23-percent decrease."

Fifty percent of California farms go out of business within their first five years, and of those remaining, only 25 percent survive, Melone adds.

Help for aspiring farmers

Despite the obstacles, there are pathways for beginning farmers. Several organizations are working to open doors and lower barriers. Among those who have benefited from that support is Wisconsin farmer Chris Holman.

Like Robertson, Holman did not come from a farming family. From 1996-2001, he served in the U.S. Army where he worked in intelligence as an Arabic linguist. Holman later taught Arabic at the University of Oregon and the University of Wisconsin-Madison before finding his way to farming eight years ago. Today, he and partner Maria Davis operate Nami Moon Farms near Stevens Point, Wis. The 41-acre farm focuses on pasture-raised poultry and hogs, chicken and duck eggs, and annual vegetables.

Holman, 40, is active in the Wisconsin Farmers Union, National Farmers Union (where he met and

befriended Robertson) and the Farmer Veteran Coalition, which helps returning military veterans embark on a farming career. He has served on USDA's Beginning Farmer and Rancher Advisory Committee and spoken at a USDA market summit, representing the small-to-midsize farm perspective.

Holman remembers that he was "incredibly naïve" when he began farming. "The people who could be poised to be the farmers of the future

management skills. The nonprofit increasingly is helping Hispanics on their paths to farm ownership. In fact, in 2016, 86 percent of FarmLink's borrowers were minority farmers, primarily Latino.

"Latinos are the fastest-growing demographic of farmers in California," Melone says. "Between 2007 and 2012, while the overall number of California's beginning farmers declined, Hispanic farmers increased by 8 percent, to almost 10,000. They have a lot of

grows organic vegetables, berries, herbs and flowers. He has established a successful business of selling direct to retail, at farmers' markets and through wholesalers.

Calls for young-farmer policy reforms

Beginning farmers are also getting help in the policy arena. The 2014 farm bill authorized several programs to support beginning farmers. But groups like NYFC believe more is needed.



Javier Zamora, seen here on his farm in northern Monterey County, near the town of Aromas, has received assistance from California Farmlink in getting his operation going. Photo courtesy California Farmlink.

are often ignorant of agriculture," he says. "It's so important to mentor them. If we can prevent them from making big mistakes as beginners, we'll increase their odds of succeeding."

Melone's organization, California FarmLink, has assisted hundreds of beginning farmers in leasing and purchasing land, accessing capital, and improving business and financial

experience and knowledge as farm laborers, and many start their own farms on a part-time basis."

One is Javier Zamora, an immigrant from Mexico who worked for several California businesses before launching JSM Organics in 2012. With help from California FarmLink, Zamora purchased 160 acres of land in Monterey County in 2016. Zamora

In addition to its ongoing efforts to support beginning farmers, NYFC has called on lawmakers to enact a slate of policy reforms it calls the "Young Farmer Agenda." Guided by NYFC's recent survey, the reforms call for land access and affordability; helping young farmers manage student debt; increasing the skilled agricultural workforce; enabling farmers to invest in on-farm

Where to make beginning farmer connections

Here are organizations that offer help to beginning farmers:

■ **USDA and SCORE** (<https://newfarmers.usda.gov/mentorship>) are collaborating in a new effort to support beginning farmers. SCORE, the nation's largest volunteer network of expert business mentors, is a nonprofit resource partner with the U.S. Small Business Administration. USDA and its partners across rural America work with SCORE to support new farming and ranching operations and to identify and recruit mentors with a wealth of agricultural experience. "We want to help new farmers, veterans, and people transitioning from other industries to agriculture," USDA Secretary Sonny Perdue said in announcing the effort in August 2017. "They need land, equipment, and access to capital, but they also need advice and guidance."

For full information on what USDA offers to new and beginning farmers and ranchers — as well as to transitioning farmers and ranchers — visit USDA's New Farmers Website (<https://usda.gov/newfarmers>), which is a comprehensive, interactive online tool to help the next generation of agriculture get started.

■ **National Young Farmers Coalition** (<http://www.youngfarmers.org/>) is an advocacy network of farmers fighting for the future of agriculture. NYFC and Fathom Information Design recently launched Finding Farmland, a first-of-its-kind land affordability calculator that makes it easy for farmers to learn about options for financing farmland and tools to make it more affordable.

■ **Farmer Veteran Coalition** (www.farmvetco.org) is a national nonprofit that assists military veterans embarking on ag careers. (See page 8.)

■ **California FarmLink** (www.californiafarmlink.org/) provides economic development support for beginning, limited-resource, immigrant and other underserved farmers. It has helped hundreds of beginning farmers access land and capital and connects retiring farmers with beginners.

■ **Midwest Organic and Sustainable Education Service (MOSES)** (<https://mosesorganic.org/>), based in Spring Valley, Wis., promotes organic and sustainable agriculture by providing the education, resources and expertise farmers need to succeed. MOSES hosts "New Farmer U," a special weekend intensive session designed for beginning farmers. The organization also offers a "Farmer to Farmer Mentoring Program" and "In Her Boots," a project supporting women farmers.

■ **National Farmers Union (NFU)** (<https://nfu.org/>) has advocated for U.S. farmers and ranchers for over a century. Among its efforts is a Beginning Farmers Institute to help beginning farmers build leadership and farm management skills. NFU also offers an online, interactive virtual conference called "Growing for the Future" that focuses on beginning farmer and rancher issues, including mentorship, business planning, USDA programs, women and veterans in farming.

■ **Farm Credit Services of America's** Young and Beginning Farmer loan program is tailored for producers 35 or younger, or with 10 years of farming experience or less. In 2015, Farm Credit made more than 62,000 new loans worth \$9.4 billion to young borrowers. For details, visit: www.fcsamerica.com/products/young-beginning.

conservation; improving credit, savings and risk management opportunities; and addressing racial inequity among farmers.

"Ensuring the success of our nation's newest farmers and ranchers requires deliberate policy change at all levels of government," says Shute.

Further, efforts to help beginning farmers will take dedication from mentors like Lehman.

"Working with beginning farmers takes time," Lehman says. "You have to be willing to invest in someone who

doesn't have a wealth of experience yet. But there are a lot of hardworking people out there who are willing to learn, think innovatively and find ways to make it happen."

Such efforts are helping fuel the enthusiasm of farmer-hopefuls like Robertson. Today, the young Iowan is riding a crest of optimism about his future in agriculture. Along with his experience with Lehman and John Deere, Robertson has accessed other opportunities. He's met USDA

Secretary Sonny Perdue twice, serves as the student representative of Iowa Farmers Union, and has traveled far beyond Iowa's corn fields to California, where for the first time he saw thousands of acres planted to lettuce, fruits and nut orchards.

"You never know what your niche in agriculture might be," Robertson says. "Find your niche, use your resources and never give up your opportunities." ■

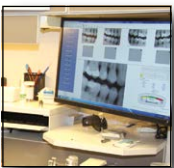
Filling the Gap



USDA, utility co-ops working to bring badly needed dental services to rural Iowans

By Darin Leach

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From a very early age, we are taught that having healthy teeth and gums is essential to the overall well-being of the entire body.

“Your mouth is a window to what’s going on in the rest of your body. It often serves as a helpful vantage point for detecting the early signs and symptoms of systemic diseases, such as diabetes,” says Dr. Alison Shields, with

Harlan Dental in Harlan, Iowa.

However, having easy access to a dental professional is a challenge many rural Iowans face. Nearly 40 percent of the state’s counties are home to just four or fewer private-practice dentists, and 10 percent of the counties have just one dentist.

“If you live in rural Iowa, or basically anywhere across much of rural America, chances are your community is considered a dental health professional shortage area,” says Annette Sweeney, state director for USDA Rural Development in Iowa.

This dental shortage was illustrated in recent research by the University

of Iowa’s Public Policy Center, which found that only 36 percent of Iowa dentists work in rural communities, compared to 49 percent just 20 years ago.

“When you combine this with the fact that nearly half of the dentists in Iowa today are more than 50 years old and quickly nearing retirement, it is clear that access to dental care in rural Iowa will only become more challenging,” Sweeney adds.

USDA, utility co-ops addressing need

To help reverse this downward trend, USDA Rural Development has been working with rural electric and

Dr. Alison Shields (at work, above) was drawn to a rural dental practice because she wanted to get to know her patients and create a sense of family with those she served. Farmers Mutual Cooperative Telephone Co. recently received a \$300,000 Rural Economic Development Grant from USDA Rural Development to help with the expansion of Harlan Dental. USDA photos by Darin Leach

telephone cooperatives for the past 12 years to help bring new dentists to rural Iowa.

Since 2006, USDA Rural Development has provided nearly \$3 million in Rural Economic Development Loan and Grants (REDLG) to 13 rural electric or rural telephone cooperatives that have provided pass-through loans or revolving loan fund dollars to dentists to help establish their practices or expand services in rural Iowa.

Creation of FIND

About 10 years ago, state healthcare and economic leaders created a program called Fulfilling Iowa's Need for

Dentists (FIND). The goal of FIND is to alleviate the critical shortage of dentists in under-served Iowa counties.

USDA Rural Development funding has played an important role, supporting FIND in its quest to help new dentists meet the costs of purchasing buildings and equipment to establish or grow their practices. FIND also provides dentists with tuition/debt repayment.

"The FIND program is just one example of our commitment and desire to collaborate with our partners to keep vital services available in our rural Iowa communities," says Cheri Monahan, manager of growth strategies at Central

Iowa Power Cooperative (CIPCO).

Key partners assisting USDA Rural Development with this initiative to boost the number of rural dentists in Iowa have been the Iowa Area Development Group, Delta Dental of Iowa, Iowa Department of Health and the University of Iowa College of Dentistry and Dental Clinics.

"Whether joining an existing practice, investing in new equipment and technology or starting a practice from the ground up, initial investment [costs] in a dental practice are significant, with an average investment of more than \$300,000 needed," says Jeff Russell, president and CEO for Delta Dental of Iowa. "In addition, most dentists graduate from dental school today with more than \$240,000 in educational debt."

During the past 10 years, the FIND program has helped place more than 40 dentists in rural Iowa.

"With an overall shortage of dentists and many active dentists facing imminent retirement, it is imperative that rural Iowa communities actively recruit new dentists to serve coming generations," says Bruce Hansen, vice president, business development, Iowa Area Development Group.

Dental clinic open house sparks idea

The idea for FIND originated during conversations in 2008 at the open house event to celebrate the opening of Fuller Family Dental, a business that was an ultimate recipient of USDA Rural Development funds through CIPCO. Community and state developers were amazed and heartened at Dr. Maria Fuller's desire to start her practice in such a rural area.

Prior to settling on Corning, Iowa, (population 1,400) for her practice, Dr. Fuller and her family toured 10 communities across Iowa to see which one would be the best fit and where she could provide the most assistance.

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Dr. Mary Hoch (left, with Dr. Alison Shields) is a Harlan native who is joining Harlan Dental as the practice moves to a new, expanded location. USDA Rural Development funding has played a key role in helping newer dentists establish or expand clinics serving rural Iowans. Nearly half of the dentists working in Iowa today are 50 or older and quickly nearing retirement.

Navigating Change

Consolidation trends and issues in spotlight during 2017 Farmer Co-op Conference

By Lynn Pitman

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Mergers, consolidation and the shifting policy landscape for agriculture were among the key topics examined during the 20th Annual Farmer Cooperatives Conference in St. Paul Minn. Almost 180 agricultural cooperative leaders and others who work with co-ops attended the conference, held Nov. 2-3.

Consolidation: pros and cons

Many cooperatives have pursued consolidation to adjust to changes occurring in production agriculture and the increased competition of

global markets. Speakers shared their perspectives on the trade-offs that cooperatives must weigh when making decisions about mergers and strategic alliances.

Mergers during the past 20 to 30 years were primarily defensive and driven by financial considerations, said Keri Jacobs, assistant professor at Iowa State University. As the consolidation trend has continued, however, other factors may also be at play, she observed.

As farm operations grow in size, the suppliers and wholesalers that support them will also often need to grow. Mergers typically are pursued to support growth in farm size by increasing efficiencies in outputs, administration and operations. Mergers



Courtney Brener, the new director of the University of Wisconsin Center for Cooperatives, addresses the co-op leaders who attended the 2017 Farmer Cooperative Conference. Photos courtesy UW Center for Cooperatives

can make strategic assets available to a broader membership, creating greater value.

Jacobs suggested that the perception that “everyone else is doing it” can also contribute to merger pressure. While the explosion in co-op consolidations has reduced the number of cooperative

Consolidation expands markets for Danish co-op

Continuing a tradition of offering an international perspective on cooperative issues, the 2017 Farmer Cooperatives Conference provided a look at consolidation and market expansion in Denmark.

Niels Jensen, a sixth generation dairy farmer, chairs the board of the DLG Group, a farm supply cooperative that has \$7.8 billion in annual revenue and does business in 18 countries. Formed in 1898, DLG today is the product of many mergers and acquisitions. It has more than 26,000 Danish farmer members.



The DLG Group is a Danish farm supply cooperative that generates \$7.8 billion in annual revenue and does business in 18 countries. It has more than 26,000 Danish farmer-members.

During the past several years, DLG has been divesting non-core investments that were made during a period of international expansion. The co-op has renewed its focus on its farm supply, nutrition and service and energy businesses in Europe.

Jensen stressed that cooperatives need to deliver member earnings and the same service levels as larger corporations if they are to survive. Cooperatives like DLG have continued to deliver value to their owners, despite long-standing concerns among some that cooperatives have lost their relevance and effectiveness, he said.

Since Danish agriculture exports two-thirds of its production, cooperatives must have the volume and international presence to ensure the continued success of their farmer members, Jensen said.

Because the cooperative needs both large and small farmers to function, DLG remains organized on a one-member, one-vote basis, Jensen noted. The voting membership elects a board of representatives, which elects a 12-member board, including three employees.

firms, the number of locations often does not change significantly, because local cooperative locations continue to operate as branches of the new cooperative entity, she noted.

While mergers may make it more difficult for the remaining independent co-ops to maintain a presence in the retail market, Jacobs suggested there may be good reasons not to merge. While being bigger may contribute to a co-op's survivability and efficiency, bigger is not necessarily "better." The financial metrics of merged cooperatives

can vary, and improvements are not guaranteed by growth.

Member perceptions of growth, she observed, can have significant financial implications for the co-op if members feel that it is "just another big business" and no longer belongs to them.

Smaller cooperatives may be able to stay financially strong by focusing on core business strategies that deliver a set of member benefits without trying to be "everything to everybody." Smaller cooperatives may also foster innovation and good governance because it is easier

for members to actively engage and align leadership with member interests.

Cooperative leadership tends to see growth as the basic value proposition, said Jacobs. In the face of consolidation pressures, co-op leaders need to move beyond a narrow definition of value. Expanding enterprise practices to accommodate all member interests is difficult, she said. Members need to understand whether their equity is being used in a way that provides benefit to them.

Jacobs suggested that a co-op look

at what it does well, examine the range of its member interests and consider the value that consolidation can deliver to its member-owners. It is important that co-ops keep in mind the essential role they continue to play in providing market power and access to producers.

Food-chain benefits and consolidation

Rich Sexton, professor at the University of California-Davis, took a broader look at the impact of consolidation in the food-supply chain. He suggested that, on balance, the efficiency gains of vertical integration occurring through consolidation are beneficial. The gains help to offset the upward pressure on food prices as global demand expands.

These consolidation benefits for consumers have more complex implications for farmers. Sexton described research that has quantified

consumer demand, Sexton said. Finding a path to support small farms and rural economies without diminishing the benefits of consolidation and vertical integration efficiencies will be a policy challenge.

Scale in grain marketing

The Comark Grain Marketing and Equity Marketing Alliance cooperatives were both the results of mergers pursued to achieve the advantages of scale. The two cooperatives merged last August to form Comark Equity Alliance (CEA), one of the largest federally licensed marketing groups under a single license in the United States.

CEA is owned by 28 member-cooperatives that formerly owned Comark and Equity, Alan Woodard, the co-op's CEO, explained. The larger size makes the co-op more "bullet-proof," he added.

The co-op's "umbrella" now covers

communications can promote the alignment of the goals between member-cooperatives and CEA. Prior to the merger, the local cooperative members of Comark and Equity Governance did not fully recognize the benefits that were being delivered. Other post-merger priorities include the development of good governance practices and better strategic decision-making about future commodity diversification.

Merger follows member growth curve

Mid-Kansas Cooperative Association (MKC) was created through a merger in 1965, and it has continued to grow through 12 subsequent mergers and six acquisitions, including three greenfield sites. A variety of partnerships support its core businesses, which include grain, agronomy, energy, feed and risk management.



It is important that leaders keep in mind the essential role that a co-op continues to play in providing market power and access to its producers.

the market power concentration in the food manufacturing, meat production and retail food sectors. More concentration in these sectors means fewer local selling options for producers. Many producers are locked in to buyers through the widespread use of contracts, further reducing producer options.

Agricultural cooperatives have been effective intermediaries in the marketplace because their farmer-members have similar needs for inputs and they pool their crops for marketing. As demand for a more diversified range of agricultural products and production practices increases, however, cooperatives need to evolve to accommodate changing

161 locations in Oklahoma, Kansas and Texas. Member-cooperatives have assigned their grain licenses to CEA, which sets bids and discounts, pursues arbitrage opportunities and merchandises commodities. Centralizing these functions has allowed for efficiencies and access to expertise that has benefited the local member-cooperatives and enhanced their opportunities, said Woodard.

As part of the merger agreement, the cooperative reduced the board size to eight members, consisting of general managers from local co-ops and CEA's chief executive. The local cooperatives remain responsible for maintaining relations with their producer-owners.

Woodard said that transparent

MKC operations have needed to follow the same growth curve as its members and the sector overall, explained Allen Wegner, the co-op's board chair. Growth has resulted in greater people resources, increased industry relevance and the renewal of assets. Customers have benefited through better services, products and market access.

Post-merger challenges have included customer communication and consistency of services, human resource management, building a common culture and the increased importance of good strategic planning, said Wegner. He noted that managing perceptions and communications is all-important in the merger process.



Networking among co-op leaders and experts (above and below) during the annual Farmer Co-op Conference helps co-ops benefit from the experiences of other co-ops facing similar challenges.



Local control concerns halted merger

Tennessee Farmers Cooperative (TFC) is a federated cooperative that owns six retail operations and partners with Winfield United (a Land O' Lakes subsidiary) to deliver agronomy services

and provide financial services for local cooperatives. CEO Jim McWherter and Board Chair Kenneth Nixon described the path of a merger proposal that, ultimately, was not approved by membership, despite a lengthy development and outreach effort.

Although TFC had experienced

strong overall financial results the past several years, the local member cooperatives were experiencing significant variations in their markets, their product mix, their size and financial performance. Discussions about strategic repositioning, including talks at statewide manager meetings, led to the formation of the System Study Team in 2014.

The team developed five different operational consolidation options, all of which reflected the need to safeguard \$160 million of farmer equity, \$135 million of local equity and to produce benefits for members. Feedback from local co-op managers to these options led to the development of another proposal, which called for a new retail cooperative that would combine the net assets of TFC and its member-co-ops.

The proposal maintained farmer ownership and control, showed positive financial projections and positioned the co-op for future growth by remaining

relevant to the market, McWherter and Nixon said.

The proposal had unanimous support of the TFC board and was presented at member board meetings and a special session at the annual meeting in 2016. However, the plan died due to lack of support during a series of follow-up meetings. Answers to many of the questions triggered by the complexity of merging 55 member co-ops plus TFC, including the selection of new leaders, were not available.

McWherter and Nixon suggested that the loss of local control and identity was a significant factor in failing to gain the support of local

“kill the goose that laid the golden egg.” Because the study team had not prepared a “Plan B” to keep the process moving forward, the merger effort ended, despite the continued interest in the possibility of such a structural change.

Follow-up discussions have continued, however, focusing on other possible changes within the cooperative. TFC is owned by 60,000 members, but members are not required to be actively farming or to conduct a minimum amount of business with the cooperative. Since members do not share the same exposure to financial risk through their business with the

to the failure of the merger proposal.

Farm Credit sector merger

Mark Cade, chair of Compeer, a recently merged Farm Credit System co-op headquartered in Sun Prairie, Wis., provided a perspective on mergers and membership in the credit sector. Compeer was formed in July 2017 through the merger of AgStar Financial Services, Badgerland Financial and Farm Credit Services. A member of the Farm Credit System, Compeer now has more than 43,000 member-owner clients.

The three cooperatives agreed that the merger would not proceed unless



There was concern about conflicting regional differences, as well as the risk that a major change might “kill the goose that laid the golden egg.”

boards. There was also concern about conflicting regional differences, as well as the risk that a major change might

cooperative, McWherter and Nixon suggested that a very diverse set of member interests may have contributed

approved by all three. A nominating committee put forward a single, small slate of directors as part of the merger

Snapshot of policy developments in flux

Political and policy developments can strongly influence the market conditions and member needs that drive agricultural cooperative priorities. The conference provided perspectives on possible impacts of these emerging policy trends.

Observing that “We’re not in Kansas anymore,” Chuck Connor, CEO of the National Council of Farmer Cooperatives, called for reinforcing relationships with key allies and engaging in grassroots advocacy to broaden the coalition for agriculture.

Issues related to cooperative taxation, immigration reform, the new Farm Bill and trade are some of the priorities for NCFC in the coming year.

The Farm Bill development process includes financial analyses on possible policy impacts at the farm level. Joe Outlaw, co-director at the Agricultural and Food Policy Center (AFPC) in Texas, described how his organization develops these assessments for the House Agriculture Committee.

Outlaw noted that the unexpected, sustained drop in commodity prices is stressing many farm operations, but he doesn’t expect the new Farm Bill to change significantly from the current (2014) Farm Bill. Commodity advocacy groups will need to work together to optimize Farm Bill agricultural programs through compromise on individual commodity programs, he advised. The 2018 election cycle may mean that a new bill may not go into effect until fiscal 2019.



Joe Outlaw, co-director at the Agricultural and Food Policy Center (AFPC) in Texas, said commodity advocacy groups will need to work together to optimize Farm Bill agricultural programs through compromise on individual commodity programs.

vote. This was done to avoid the cumbersome process of whittling down three cooperative boards that totaled 45 directors. The CEO of the new entity, if approved, was also identified prior to the vote.

The merger proposal faced tough questions during membership meetings, said Cade. But it was eventually approved by all three cooperatives.

An increasingly competitive credit market led the institutions to consider the merger, Cade said. The merger has not only expanded benefits for clients and employees, but has also supported major investments in financial technology and resulted in greater diversification of the co-op's loan portfolio.

Three of Compeer's 17 board directors are appointed, as required by the Farm Credit System. The remainder are member-clients who are elected by voting members in Illinois, Minnesota and Wisconsin.

A nominating committee identifies eligible board candidates, who must be voting stockholders and agricultural producers. Stockholders that are business entities may appoint

individuals whose eligibility is determined by their ownership, or interest, in the corporate entity as well as the other director requirements.

Part of the merger process has involved equalizing the capital within the three associations. In the future, Compeer expects to run a cash patronage program, with about a 20-percent return to member-owners. As in any merger, the integration process is ongoing and will take more time to fully complete.

Merger passes on second try

When a 2015 merger proposal between South Dakota Wheat Growers and North Central Farmers Elevator was very narrowly defeated, Hal Clemensen, board president of Wheat Growers, said that the board did not expect that the question would be revisited. However, continuing changes in market conditions led the boards to introduce a new proposal in 2017, which was approved by the members of both cooperatives.

Wheat Growers is a grain and agronomy co-op with 40 locations that serve 5,100 member-owners in South

and North Dakota. After the merger is implemented, the new entity will have 62 locations with 7,400 members. It will be a member, not a stock, cooperative.

It is important that members be active producers, observed Clemensen, so that cooperative initiatives — such as the merger — better align with the interests of current patrons. Wheat Growers requires members to be actively farming and to have conducted at least \$5,000 in business with the cooperative during the previous fiscal year.

This is not a difficult threshold to reach for active producers. Wheat Growers' 5,100 members are part of a larger group of 17,000 equity holders, many of whom are retired and no longer use the cooperative.

Membership is determined at the account level, and voting member status is annually determined on the basis of each account's activity. Members also include business entities, which may designate a voting representative. Some challenges exist with this approach, because a patron's member status may change from year to year, and patrons who hold equity in the cooperative may not be able to vote.

However, the result has been a membership of more active and engaged agricultural producers who support a cooperative that is more aggressive in the marketplace, said Clemensen. This also provides a layer of protection against a potentially hostile takeover. Without such membership requirements, decisions by a membership that included all equity holders might have been different.

Clemensen stressed that an active membership also depends on member education programs. The next generation of farmers needs to understand the contributions that cooperatives can make to ensure the success of their farms, he added. ■

Editor's note: The 2018 Farmer Cooperatives Conference will be held Nov. 8-9 in St. Paul, Minn.



Connecting the Empire State

*Exploring the feasibility
of rural broadband co-ops
to serve northern New York*

By T.M. Schmit and R.M. Severson

Editor's note: Schmit is an associate professor and Severson is an Extension associate, both with the Charles H. Dyson School of Applied Economics and Management at Cornell University. This work was supported by Slic Network Solutions under an agreement with the municipality of Franklin County, N.Y., and with funding from USDA Rural Development.

The authors thank Slic Network Solutions for providing technical information and cost parameters necessary for the analysis. They also thank Phil Kenkel at Oklahoma State University for allowing them to use and adapt his cooperative feasibility assessment template. A more detailed report describing this case study is available at: <https://dyson.cornell.edu/outreach/extension-bulletins/documents/Cornell-Dyson-eb1705.pdf>. The views expressed are the authors' own and do not necessarily represent the policies or views of any sponsoring firms or agencies.



It's the story we've all heard before: higher service costs per customer reduces returns on investment for technology expansion in rural areas.

New Deal programs, such as the Rural Electrification Act, helped launch the rural utility cooperatives that brought power to much of rural America. There is a similar demand today among rural households and businesses for the

internet technologies and services being enjoyed by their urban counterparts. But the costs of extending those technologies to rural areas remain a significant barrier.

The advancement of the internet over the past few decades has been revolutionary in dissemination of information, increasing connectivity and expanding commerce. However, access to the internet can be troublesome for people residing and working in less densely populated areas. This limits opportunities for start-up companies, business expansion and a wide range of services available online for consumers.

Cooperatively structured businesses have been formed in many sectors when people with a common need join together and pool resources. Are rural broadband cooperatives the next technology cooperative wave? Or are there better opportunities for existing rural utility cooperatives to expand their services to include broadband?

There have been tremendous efforts, both locally and nationally, to investigate and implement broadband expansion in rural America. Both the Homeland Security Act of 2002 and American Recovery and Reinvestment Act of 2009 provided funding for broadband infrastructure development. Additional grant and loan funding to support these efforts has been put into action for cooperative and non-cooperative business development efforts (e.g., USDA Rural Utilities Service, CoBank).

To date, expansions of broadband technologies

The scenic beauty and outdoor recreational opportunities of Adirondacks State Park helps attract tourists, seasonal residents and retirees to northern New York, where demand is growing for expanded broadband service. Photos courtesy KotaDesign.com.

to rural areas have largely been the result of unique public-private partnerships — such as RS Fiber (www.rsfiber.coop) and Maryland Broadband Cooperative (mdbc.us) — or extensions of services provided by existing rural utility cooperatives, including Spruce-Knob Seneca Rocks Telephone (www.spruceknob.net), Custer Telephone Cooperative (www.custertel.net) and Valley Telephone Cooperative (www.vtx1.net). However, more work is needed to explore how a cooperative model can support the feasibility of rural broadband expansion and to better inform rural households, businesses and community leaders about what it will take to make these efforts financially feasible. In particular to New York state, funding to expand broadband infrastructure in rural areas has been made available through the New NY Broadband Program (nysbroadband.ny.gov/), USDA Rural Development, CoBank and commercial lenders.

In our analysis, we consider three pricing scenarios: one using comparable market prices and two scenarios based on high- and low-speed prices that are increased until the cooperative is financially viable. This is defined modestly as occurring when the co-op's cumulative cash flows over a 10-year period are greater than, or equal to, zero. The pricing scenarios are applied to a new broadband cooperative model and an expanded rural utility cooperative (RUC) model.

Project area

Our efforts were focused on northern New York, an area with large expanses of under- or un-served broadband access. In particular, and in concert with municipal officials from Franklin County and technology specialists from a local internet technology firm (Slic Network Solutions), we investigated the financial feasibility of a rural broadband cooperative for a multi-town region in the county. The work was funded by a USDA Rural Business Development Grant. While the project has a narrow geographic focus, the process and results will be beneficial more broadly for rural communities to assess the potential for rural broadband infrastructure investments via the cooperative business model.

Overall, the project area is characterized by low densities of populations and housing units per square mile. In terms of the proportions of year-round and seasonal residents, considerable heterogeneity exists across the study area, a characteristic not unexpected, given the differences in tourism-related environmental amenities and public land (e.g., Adirondack Park, a massive, six-million acre state park).

About three-quarters of households in the study areas have incomes below the poverty level. Concerns exist about the willingness and ability of potential members to pay the equity investment and monthly service fees for broadband. However, frustration was routinely expressed among community members that current upload and download speeds are insufficient.

Those who are spearheading economic development view high-speed internet as a means to strengthen existing cottage industries, such as artisans and crafters, and as a necessary tool to establish new enterprises. Precision agriculture technologies are growing in adoption and require sufficient bandwidth to transfer large volumes of data. Hospitality-related businesses also need a strong internet presence to promote their businesses and accept online reservations. Tourism-based industries, and the region itself, is less competitive compared to other recreational areas because of a lack of consistent and sufficient broadband capacity.

Seasonal residents and telecommuters find that a lack of high-speed broadband prevents them from working from their residence and makes it difficult to access social media and various entertainment platforms without exceeding data caps. People looking to buy property in the region increasingly want to first know about the quality of broadband service there, which suggests that a lack of such service will negatively affect real estate markets.

The needs of businesses, institutions and government have been reasonably met in the study area, leaving this project to focus more specifically on fiber-to-the-home. If a competitive alternative for providing high-quality service — such as a broadband cooperative — were available, businesses, institutions and government entities may opt to become cooperative members.

The lower density of subscribers in rural communities is one of the biggest challenges confronting businesses interested in broadband distribution. Even within rural communities, there can be large disparities in the number of potential subscribers per mile of infrastructure. Within the towns of our study area, densities of potential subscribers ranged from 0.9 to 9.8 per mile — an order of magnitude difference!

Financial parameters

For this study, we will consider three monthly service pricing options for high- and low-speed users. First, comparable market prices near the study area are combined with a common grant restriction to assess financial feasibility for the cooperative enterprise at existing prices. For rural broadband projects to be eligible under the New NY Broadband Program, providers must offer at least 25/4 mbps (megabits per second) at or below \$60 per month.

Accordingly, our market price scenario assumes high-speed and low-speed services are offered at \$100 and \$60 per month, respectively. Both prices are allowed to increase 1 percent each year to account for inflation. At these prices, the enterprise is infeasible (as discussed below). The second scenario increases high- and low-speed prices proportionately until the project cash flows over a 10-year planning horizon (i.e., ignoring the grant restriction).

The third scenario increases only the high-speed

Table 1
Financial Results Summary, by pricing scenario and cooperative type¹

Financial metric	Existing Market Prices		CASH FLOW PRICES			
	Year 2	Year 10	No grant restriction ² Year 2	Year 10	Grant restriction ³ Year 2	Year 10
New Broadband Cooperative						
Prices, \$ per month, high/low	100/60	108/65	178/107	193/116	236/60	256/65
Total sales (\$000)	840	1,057	1,497	1,882	1,498	1,880
Total expenses (\$000)	1,558	1,749	1,558	1,753	1,558	1,753
Cumulative cash flow (\$000)	(697)	(6,443)	(41)	0	(39)	0
Expanded Rural Electric Cooperative						
Prices, \$ per month, high/low	100/60	108/65	128/77	139/83	149/60	161/65
Total sales (\$000)	840	1,057	1,076	1,353	1,077	1,35
Total expenses (\$000)	1,123	1,245	1,123	1,249	1,123	1,249
Cumulative cash flow (\$000)	(259)	(2,192)	(23)	0	(23)	0

¹ Annual increases in subscriber prices, subscriber members, and operating expenses are 1%, 2%, and 1.5%, respectively.

² Cash flow prices with no grant restriction represent equivalent price increases for both high- and low-speed service.

³ Cash flow prices with grant restriction represent prices where only the high-speed price increases.

Table 2
Cash flow prices under alternative high-speed user assumptions¹

Cash flow price, \$ per month	Proportion year-round subscribers that are high-speed	
	40%	80%
New Broadband Cooperative		
High speed	\$236	\$157
Low speed	\$60	\$60
Expanded Rural Electric Cooperative		
High speed	\$149	\$109
Low speed	\$60	\$60

¹ Year 2 prices with grant restriction, rounded to the nearest dollar.

price until the project cash flows over a 10-year planning horizon. In this case, the grant restriction fixes the low-speed price, essentially implying a subsidization by high-speed (presumably higher income) members to low-speed (presumably lower income) members to support financial operations.

Up to 80 percent of the project construction costs can be funded through the New NY Broadband Program. We assume the remaining 20 percent is sourced from commercial lenders and members. Commercial lenders often require that business owners, in this case co-op members, have some minimal level of investment in the business; i.e., “skin in the game.”

So, in addition to a monthly service charge, we assume

that cooperative members make an upfront equity investment equivalent to 10 percent of total construction costs, leaving 10 percent funded through a bank loan. Individual member investment is computed by dividing the total member investment requirement by the expected number of initial members, or about \$800 per member. Subscribers joining the co-op in subsequent years are expected to make the same equity investment.

Upfront member equity investments represent permanent capital (not subject to redemption) and are indifferent for seasonal vs. year-round subscribers, although seasonal subscribers do not pay monthly service charges for the entire year (assumed at six months per year).

Estimating the number of member subscribers, service

speed demands (high vs. low speed), availability (year-round vs. seasonal) and penetration rates (percent of potential subscribers that join) are crucial to the size, type and cost of infrastructure needed to meet member demands.

In our co-op model, the maximum number of subscribers are 1,604, covering over 250 miles of construction (backbone and distribution). Based on housing statistics, about 19 percent of subscribers are assumed to be seasonal.

Using an initial penetration rate of 62 percent and the distribution of household incomes in the study area, the initial number of subscribers is estimated at 992, with 485 and 507 subscribers using high- and low-speed service, respectively.

With an assumed 2-percent annual growth rate in subscribers, the total number of members would reach 1,154 by the 10th year of operation. Aggregating the individual towns in our analysis did not affect the overall miles of construction of backbone and distribution components, suggesting no opportunity for gains in scale economies.

A new broadband cooperative is assumed to finance all investment and operating costs, as well as personnel expenses for cooperative management and staff, cooperative organizational expenses and pole rental fees. The RUC expansion scenario sets those latter expenses at zero, because they are assumed to be already available (marginal cost = 0), including ownership of existing utility poles, thereby eliminating pole rental costs (underground lines are infeasible in the project area).

Depreciation of capital assets is accounted for in the financial analysis, as are asset reinvestments each year for electronics and subscriber installs. Numerous assumptions related to cooperative operations are necessary to facilitate

the financial projections (for details, see the full report). In terms of timing, it is assumed that in the year before the co-op is launched, public meetings are organized, a member equity drive is initiated, grant and loan funds are secured, legal papers are filed and the initial board of directors is formed. Year one largely comprises completion of the member equity drive, system construction and hiring of cooperative management and staff. In year two, the system is fully functional and member sales commence.

Financial results

For the market price scenarios, cash flows were highly negative each year for a new broadband cooperative, indicating that existing market prices are insufficient to support the business enterprise, consistent with a lack of existing services in the study area. Service prices would need to increase 78 percent, ignoring the grant restriction, and 136 percent when the grant restriction is imposed for the cooperative venture to be feasible at the assumed levels of year-round/seasonal and high/low speed member subscribers (Table 1). In either case, the cash-flow prices for a new broadband cooperative illustrate the need for a high level of subsidization by high-speed users for low-speed users.

The expanded RUC scenario is also infeasible at existing market prices, with cumulative losses, approximately one-third of those estimated for the standalone new broadband cooperative (Table 1). That said, monthly service prices would need to increase 28 percent and 49 percent for the no-grant restriction and grant restriction scenarios, respectively, above market prices for the operation to cash flow.



Clearly, the distribution of total member-subscribers demanding high- vs. low-speed service is a vital parameter in assessing financial feasibility. Indeed, if the proportion of year-round users utilizing high-speed service increases from 40 percent in our baseline scenarios to 80 percent, cash-flow price increases are moderated significantly.

For the new broadband cooperative and the grant restriction scenario, the increase in the high-speed price drops from 136 percent to 57 percent (Table 2). Furthermore, for the expanded RUC scenario, cash-flow price increases drop from 49 percent to 9 percent.

For the expanded RUC, the prices are relatively close to existing market prices and may represent a level of price subsidization palatable to members demanding this level of service. For the new broadband cooperative, a 57-percent price increase may well be beyond the willingness to pay for those demanding high-speed service in the study area.

Implications

This study examined the feasibility of a cooperative-structured business as a vehicle to extend broadband to unserved and under-served people living in Franklin County, N.Y. Concerns have been raised within the communities here about the long-term impact for the area if it does not offer sufficient broadband service. However, using existing market prices, a new cooperative venture was shown to be highly infeasible.

On one hand, losses were to be expected, given that no service providers are currently in operation in the study area. On the other hand, the sizes of losses were larger than anticipated and are a reflection of the low population

densities, limited to no opportunities for scale economies in construction, and high annual operational and maintenance requirements for the broadband system proposed. If an RUC existed in the area (it does not), prices for this segment of the cooperative to cash flow would be tempered significantly.

Whether high-speed users (for either cooperative option) are willing to pay the cash-flow prices estimated here is unknown and deserves further study. The willingness to pay is likely a combination of the need for the high-speed service and the acceptance of high-speed users in subsidizing low-speed users in order to make broadband service available to both groups. To provide more confidence in the financial projections, clear estimates of the number of seasonal vs. year-round subscribers — along with the demand speeds and willingness to pay for them — are needed.

It is worth emphasizing that more grants to construct these types of systems does not solve the rural broadband problem. Indeed, 90 percent of construction costs were covered by either a grant or member equity investments in our case study. These systems are costly to operate and maintain. Further, rural areas are often unique in their geographical and household characteristics, making the applicability of these results to other areas questionable.

A closer examination of the annual operating and maintenance costs is advised, along with further consideration of any scale economies in construction (none assumed here) that would offset diseconomies in the distribution of services. That said, the data collection process and analytical model can be applied elsewhere and is a necessary first step before organizing community discussions on a new cooperative venture. ■



CO-OP HALL OF FAME TO INDUCT 2018 CO-OP HEROES

Four outstanding cooperative leaders will receive the co-op community's highest honor May 2, 2018, when they are inducted into the Cooperative Hall of Fame. The inductees are: Paul Bradley of ROC USA; Rudy Hanley of SchoolsFirst Federal Credit Union; Rosemary Mahoney, a cooperative business consultant, and Marilyn Scholl of CDS Consulting Cooperative.

"This year's inductees reflect the very best co-op values," says Rich Larochelle, chair of the Cooperative Development Foundation, which manages the Hall. "Their life stories inspire us. Their demonstrated commitment to co-op principles and their achievements have strengthened co-ops and made a real and lasting difference in the lives of people and the viability of communities."

Paul Bradley

Founder and President, ROC USA

As a teen, Bradley overheard a real estate agent say, "Oh, Penacook, you don't want to buy there." The sting of those words about his hometown in New Hampshire later set Bradley on his career path of empowering owners of "mobile" homes



to achieve security by purchasing the land under their homes as co-ops.

In 1988, with an economics degree from the University of New Hampshire and already committed to the idea of cooperative ownership, Bradley joined the New Hampshire Community Loan Fund, a pioneering community development financial institution (CDFI) with a mission to build economic opportunity for low-income and

financially under-served communities.

The Community Loan Fund (CLF) was implementing an innovative program to help owners of manufactured homes buy their communities. Bradley recognized that community ownership gave cooperative members the kind of financial security people in mobile homes rarely enjoy.

During the course of his 18-year tenure at CLF, Bradley expanded the program by adopting a sector-changing strategy, adding home financing and new development to its mission. Through relentless efforts, 12 cooperative communities became 80, then growing to more than 120.

In 2008, Bradley turned his experience in resident-owned community (ROC) development into a market-based social venture: ROC USA. Implementing a business model he developed through NeighborWorks — America's Achieving Excellence program at the Kennedy School at Harvard University — Bradley began scaling up co-op ownership nationally. The social venture now develops co-ops in 15 states through a network of affiliated nonprofits and a national CDFI called ROC USA Capital.

In its first nine years, ROC USA helped convert 119 communities in 14 states, keeping 8,400 families in their homes. ROC USA now represents more than 210 co-ops and 13,400 homeowners.

Rudy Hanley

Retired President and CEO, SchoolsFirst Federal Credit Union

Rudy Hanley's contributions to the credit union movement span more than 38 years and are characterized by his deep commitment to member service and the cooperative principles, rather than the bottom line.

Hanley spent 31 years as president and CEO of SchoolsFirst Federal Credit Union. During his tenure, it grew from a single-location with \$150 million in assets into the largest U.S. credit union for school employees, with 45 branches in California, \$10 billion in assets and 600,000 members.

While Hanley's colleagues stress his qualities as a teacher, mentor and leader, Hanley credits the contribution of the entire SchoolsFirst team and board, as well as the general credit union



movement. Hanley has been praised for his talent for "making leaders out of otherwise ordinary people."

While teaching high school in Los Angeles, Hanley completed a law degree. After law school he moved to Washington, D.C., to work for the Credit Union National Association (CUNA), where he defended credit unions' tax-exempt status and

became an advocate of the co-op model for financial services. He returned to California to lead the research and development department of the California Credit Union League before joining SchoolsFirst FCU in 1982.

Under Hanley's direction, SchoolsFirst instituted multiple financial products tailored to meet the needs of its members, including a low-interest credit card, mortgages with no mortgage insurance requirement and low downpayments and fees, among many other products. He developed extensive financial education programs and workshops for members and rallied credit union colleagues to fund the Public Broadcasting Service's financial literacy program, *Biz Kid\$*.

Hanley embraced technology, bringing ATMs and other electronic services to the membership and was a founding member of Open Financial Solutions (OFS) to research and develop technology solutions for credit unions.

Rosemary Mahoney

Cooperative Business Consultant

Mahoney's 30-year career as a co-op developer began with a post-college job at USDA's Agriculture Cooperative Service. She grew up on a corn/soybean farm in Monmouth, Ill., where her family belonged to electric, insurance and supply co-ops, but it wasn't until she worked at USDA that she "completely bought into the value of the co-op model for farmers and others."

One of Mahoney's most successful development projects at USDA was the farmer co-op CROPP (better known as Organic Valley), today the nation's largest organic foods co-op, with 2,000 members. She has been developing co-ops ever since.

Mahoney has worked with more than 25 start-up cooperatives around the world, including 15 successful co-op consulting projects in Africa. She led a technology company, CoMetrics, that introduced the idea of using data as a strategic tool to improve cooperative impact and performance. Mahoney also helped create a new rural cooperative development center at USDA.



In 1991, Mahoney began working with Volunteers in Overseas Cooperative Assistance (VOCA), bringing the co-op model to the Czech Republic, Slovakia and Hungary. In 1998, she returned home to help better position co-ops to compete. As head of Cooperative Development Services (CDS), she managed research and development projects and introduced the idea of using financial benchmarking tools to strengthen operations and finances of cooperatives. This led to a collaboration with Walden Swanson to build CoMetrics.

Mahoney helped establish CDS Consulting Cooperative, a premier source for professional and technical assistance for rural and urban food co-ops. In the early 2000s, she helped reorganize the National Cooperative Grocers Association. Today, National Co-op Grocers is a business services co-op with 148 food co-op members operating more than 200 stores in 37 states.

She is a strong advocate for 'hybrid' co-ops and was the founding board chair of CooperationWorks!, which offers staff training for co-op development centers. Mahoney helped launch Blue Hawk Distributor Cooperative for independent heating and air conditioning businesses.

In 2005, Mahoney helped secure the .coop domain name for use by any business organized as a cooperative. It is now used by more than 750,000 cooperatives.

Later in her career, she helped the International Finance Corporation include co-op development work as part of its agricultural advisory services. Mahoney continues to serve as a senior advisor at CoMetrics. She has served, or is serving, on more than 13 boards, including The Cooperative Foundation, NCBA CLUSA, National Cooperative Bank, dotCoop and CooperationWorks!.

Marilyn Scholl

Manager, CDS Consulting Cooperative

Marilyn Scholl stepped into the co-op world in 1978 when she took a job in her neighborhood grocery store, Gordon Park Cooperative in Milwaukee, Wis. She turned a decade of working in and managing food co-ops into a lifetime of contributions to the cooperative community.



In 1987, after nine years working for and managing co-ops, Scholl returned home to work for the University of Wisconsin Center for Cooperatives (UWCC), helping to create education programs for all types of co-ops. She pioneered a food co-op consulting team that became CDS Consulting Co-op, which provides consultants who help member-driven co-ops become better businesses, using data-driven analysis to improve competitiveness and efficiency.

Scholl relishes the challenges of business sustainability, membership care and strategic planning. Working with Ann Hoyt at UWCC, Scholl organized the Cooperative Management Institute, a multi-week program that teaches business management and data-driven decision-making.

She was among the first educators to bring systematic governance to food co-ops. Scholl and her colleagues at CDS recently developed a new model for cooperative governance: the Four Pillars of Cooperative Governance. She is also co-author of the well-used Ownership Toolbox, a membership-building program, and is the creator of Partners for Life, a customer service program.

In 2002, with the help of National Cooperative Bank and National Cooperative Grocers, Scholl worked with a team to create Food Co-op 500, a small grants program for start-ups. It became the Food Co-op Initiative, a nonprofit that has supported the opening of more than 130 new food co-ops. She has been a guiding force behind planning at the Consumer Cooperative Management Association (CCMA) conference, working to keep conference topics relevant and useful.

In 2004, Scholl led an effort that led to the reorganization of the National Cooperative Grocers Association. Today National Co-op Grocers represents 148 co-ops operating more than 200 stores in 37 states.

Scholl has played a prominent leadership role in nearly all major developments in the U.S. food co-op sector during the past 25 years, helping to turn a disconnected group of unaligned, often under-performing co-op stores into an integrated sector that leverages members' purchasing power and provides support for operations and store development. ■

Newsline

Co-op developments, coast to coast

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

Prairie Farms' top chef takes top honor

Rob Lagerlof, Prairie Farms Dairy's director of technical service and corporate chef, has been inducted as a member of La Chaine des Rotisseurs Society, Balliage de France. The honor grants him the title of Chef Rotisseur. Founded in 1248 in Paris, the prestigious Chaine des Rotisseurs is one of the most esteemed food and wine societies in the world.

The induction ceremony was held earlier this year in the cave of a 13th-century chateau in La Celle-Guenand, France. Chef Lagerlof's "Chaine," a medal denoting his rank, was presented by his mentor, Sidney Bond of Le Calabash Cookery School. There were 18 inductees and nearly 100 guests.

"I was shocked that I would even be nominated, let alone inducted, into La Chaine," says Lagerlof. "Furthering knowledge of good food, wine and the pleasures of the table is something I've always believed in and will gratefully continue to do in these new opportunities that come along with being a Chaine member, both here and abroad."

"This remarkable achievement is the result of hard work, passion, and willingness to share his knowledge and talent in so many ways," says Rebecca Leinenbach, vice president of marketing and communications for Prairie Farms. Lagerlof gained an array of international culinary experience by working with famous chefs in Africa, France, Italy, Scandinavia and the United Kingdom.

He gives back to his community in a number of ways, volunteering annually for dozens of events, including cooking for families at the Ronald McDonald House, serving as a guest chef at charity functions and speaking to aspiring culinary students



Rob Lagerlof

AMPI doubles output at Iowa plant

Upgrades of new equipment and technology at Associated Milk Producers Inc.'s (AMPI) Sanborn, Iowa, plant will more than double production of award-winning cheese there. Improved efficiency will increase the amount of cheese made from every pound of milk processed. The plant will also be adding new varieties of cheese, including Monterey Jack, Colby and Marble Jack.

The upgraded whey processing and storage area should be completed in March. Once completed, the plant's processing

capacity will more than double daily cheese production to about 300,000 pounds.

"The cooperative's new business plan is focused on updating cheese-making technology and increasing capacity," says Steve Schlagen, an Albany, Minn., dairy farmer and board chairman of the New Ulm, Minn.-based co-op. "The Sanborn project marks an important first step in seeing that plan come to life. It cements our place in the community as a long-term employer and provides the capacity to process the milk produced on area member farms."

The AMPI Sanborn team earned first place Mild Cheddar honors in the 2016 World Dairy Expo Championship Cheese

Contest for the third consecutive year.

DFA opens 'water neutral' Kansas dairy plant

Dairy Farmers of America (DFA) in November opened a state-of-the-art dairy ingredients plant in Garden City, Kan. The plant is a "water-neutral facility," meaning that water used will be recycled and ultimately used to water landscaping and parks throughout the city.

The plant, which is bringing 66 new jobs to the area, produces whole and skim milk powder, nonfat dry milk powder and cream. It receives

being transported to other areas of the country), but it also supports and enhances our global ingredients strategy, which benefits all our farmer members," says Rick Smith, president and CEO of DFA.

Construction started on the Garden City facility in October 2015, with the first load of milk delivered in late September 2017.

"As a farmer invested in this plant, it's exciting because we're connecting our family farms to family tables in a truly sustainable and traceable way," says Kansas dairy farmer Dan Senestraro, who also serves on the

will provide members in DFA's Midwest Area with access to project planning, development, support and discounted pricing for on-farm solar power programs.

DFA member Gary Kibler, of Kibler Dairy Farm in Warren, Ohio, worked with Third Sun to install 480 solar panels on his family farm. The panels will provide 163.2 kilowatts of power. In the first year alone, the panels should provide more than \$23,000 in avoided electrical payments and will offset about 120 tons of carbon dioxide emissions per year.

New report eyes possible ag labor co-op

The University of Wisconsin UW Center for Cooperatives, in partnership with Farm Commons, has released a new publication: *Coordinating Farm Labor Across Farms: A Toolbox for Diversified Farmers and Farmworkers*. The toolbox is available at: www.uwcc.wisc.edu.

Sustainable farmers often seek more flexible options for meeting their diverse and fluctuating farm labor needs, the report summary notes. Farm workers also struggle to piece together stable and rewarding employment opportunities. The toolbox explores one potential solution: coordinating farm labor across farms through the creation of a cooperative or LLC.

The toolbox divides the process of assessing the feasibility into four steps, or four overarching questions. Reflective questions or exercises are included at the end of each section to provoke discussion and help farmers and farmworkers determine what overall approach, if any, might be best for them.

Lysyi to lead Welch's sales team

Welch's, the world's leading seller of Concord and Niagara grape-based products, has named Lesya Lysyj as president for its U.S. sales and marketing office. Lysyj brings



Dairy Farmers of America celebrates the opening of DFA Garden City, a new, state-of-the-art ingredients plant in southwest Kansas. Pictured (from left) are: Alan Low, senior vice president of Shambaugh & Son; Dan Senestraro, farmer-investor and member of DFA's board; Randy Mooney, DFA chairman; Rick Smith, DFA president/CEO; Melvin Dale, mayor of Garden City, Kan.; Sam Brownback, governor of Kansas; Alan McEntee, program manager for DFA Garden City. Photo courtesy DFA

4 million pounds of milk daily from regional farms. DFA Garden City is a partnership between DFA and 12 of its member farms in southwest Kansas that will help support the industry's continued growth in the region.

"This investment not only fills an important need for the region by providing a local home for DFA members' milk (which was previously

co-op's board. "This plant allows us to trace the product from the time it leaves the farm as raw milk to the time it arrives at the store, which is important to many consumers today."

In other DFA news, the co-op has teamed with Third Sun Solar, an Ohio-based clean energy company, to help bring solar panel technology to more DFA member farms. The partnership

her track record for driving growth in several categories, including beer, confectionary and beverages at Heineken USA, Cadbury and Mondelez. More recently, she was president of Weight Watchers NA and has worked as an entrepreneur with start-ups in the e-commerce and membership business model.

“Lesya’s combined experience with start-ups and traditional CPG [consumer packaged goods] organizations aligns well with our growth efforts,” notes Brad Irwin, Welch’s president/CEO. “I’ve seen her success first hand at Cadbury and am excited to see her innovative spirit in action here.”

“Welch’s is not only an iconic brand, but a company where 100 percent of the profits go back to our 1,000 farmer-owners,” says Lysyj. Welch’s is the processing and marketing subsidiary of the National Grape Cooperative, owned by 1,000 family farmers in the United States and in Ontario, Canada.

Berner succeeds Reynolds at UW Center for Co-ops

Courtney Berner has been named executive director of the University of Wisconsin Center for Cooperatives (UWCC), succeeding Anne Reynolds. Reynolds retired Jan. 8 after 22 years with the Center.

During her tenure, Reynolds has shared her extensive knowledge of governance, strategy and innovative uses of the cooperative model. Her efforts span economic sectors, income classes and cultures and involve teaching, research and direct assistance to cooperative businesses. Reynolds holds leadership positions with the Madison Cooperative Development Coalition, several local food initiatives and education programs related to cooperative board leadership and employee ownership.

Reynolds also serves on the boards of Shared Capital Cooperative, the Cooperative Foundation and the Madison Public Market Foundation.

In 2015, she was awarded Cooperative Networks’ Cooperative Builder Award, which honors individuals who have made outstanding contributions at the local, state, and/or national level to advance cooperative philosophy and ideals.

Berner currently serves as a cooperative development specialist at UWCC, where she has developed a nationally recognized program focusing on cooperative business development. She has cultivated highly successful partnerships with external stakeholders and is widely sought as an educator and speaker within the cooperative business community.

Berner brings research, development and outreach experience in a range



Courtney Berner



Anne Reynolds

of issues related to food systems, community economic development and the cooperative business model. Prior to earning a Masters degree in agro-ecology from the University of Wisconsin-Madison, she spent five years at the Worldwatch Institute, an independent research institute devoted to global environmental concerns.

“We are very excited to have Courtney step into this key leadership role,” said Reynolds. “She is a strong leader with an extensive background in cooperative leadership and experience in Wisconsin and nationally. We know Courtney will uphold the UWCC mission of fostering critical thinking and understanding about cooperatives.”

Established in 1962, UWCC focuses on education, research and outreach on all aspects of the cooperative business model, including development, finance, structure and governance. For more information, visit: www.uwcc.wisc.edu.



Agtegra name of merged co-op

The boards of North Central Farmers Elevator and Wheat Growers have voted to name their newly merged business Agtegra Cooperative, which officially launches Feb. 1. Wheat Growers CEO Chris Pearson, who will lead Agtegra, says the directors focused on choosing a name that would represent the rich history and bright future the two cooperatives share.

“We knew we needed to choose a name that allowed us the ability to adapt to changes in the ag industry,” Pearson says. “We knew not to limit ourselves to a geography, or to just one commodity crop or another. We also heard from our members through this process that to them, strength, stability and dependability are key characteristics they value from us. They want us grounded in agriculture, and they want

SECRETARY PERDUE RELEASES RURAL PROSPERITY REPORT

U.S. Secretary of Agriculture Sonny Perdue in January presented the findings of the Interagency Task Force on Agriculture and Rural Prosperity to President Donald J. Trump during the 2018 American Farm Bureau Annual Convention in Nashville, Tenn. The Task Force on Agriculture and Rural Prosperity identified more than 100 actions for the federal government to consider in order to achieve a vision of a better rural America.

The effort was launched last April when President Trump signed an executive order establishing the task force “to ensure the informed exercise of regulatory authority that impacts agriculture and rural communities.” As secretary of agriculture, Perdue served as the task force’s chairman and identified recommendations in five primary areas to help improve life in rural America:

- E-Connectivity
- Quality of Life
- Rural Workforce
- Technology, and
- Economic Development.

The full report can be viewed at: www.usda.gov.

“Since his inauguration, President Trump has made agriculture and rural America a high priority,” Perdue said prior to releasing the report in Nashville. “On the day he swore me in to office, he tasked me with chairing the Interagency Task Force on Agriculture and Rural Prosperity. With the voice of rural America leading the way — and in close collaboration with local, state, and tribal leaders — 22 federal agencies, offices and



executive departments accepted the challenge to make rural America great again. We traveled to 30 states, held two tours covering over 2,200 miles, and, most importantly, we listened to the people of rural America.”

The Rural Prosperity report opens with a letter from Secretary Perdue to President Trump. “In response to your call to action to promote agriculture and rural prosperity in America, the Task Force envisioned a rural America with world-class resources, tools and support to build robust, sustainable communities for generations to come,” Perdue wrote.

One area of heavy focus in the report is the importance of helping all rural Americans benefit from digital-age technology. “In our increasingly digital economy, distance between rural economic inputs and markets is less of a barrier to business growth. Expanding availability of high-speed internet or e-connectivity allows rural areas to take advantage of this new

reality in addition to broader domestic and international markets,” the report says.

“Unfortunately, rural areas remain less connected to reliable high-speed internet today than metropolitan areas and have lower usage rates compared with urban areas. As a result, a wide array of digital services and activities — from e-commerce to telehealth to digital learning — are becoming an increasingly important feature for a prosperous rural life” it continues.

Perdue praised the task force for “working tirelessly to identify solutions to the problems plaguing our rural communities,” adding that “there is more work ahead. No doubt, rural America has struggled under burdensome regulations with no voice in Washington, but under President Trump’s leadership, and with the work of this task force, we can turn that around and restore rural prosperity once and for all.”

us to stand together with them for the long haul – always holding a connection to our past and looking into the future.”

Pearson says Agtegra Cooperative reflects all that. “That’s a lot to pack into one name. But we believe Agtegra is a name that grounds us in agriculture and points to the high level of integrity and dependability that we will seek to achieve serving our member-owners today and into the future. In the end, we listened to our members and allowed their input and opinion to guide us through this process.”

Agtegra Cooperative will be headquartered in Aberdeen, S.D., with 900 employees in North and South Dakota serving more than 60 communities and about 7,850 member-owners and 22,600 equity holders. In addition to offering grain and agronomy services, the cooperative will offer its members aerial application services, fuel, animal feed, and precision ag hardware and software products and services.

In related news, Wheat Growers recently announced that it had purchased the Kimball fertilizer plant, a 40,000-ton, dry fertilizer facility in Kimball, S.D. The plant had been owned by Gavilon Fertilizer LLC.

Foremost Farms to build Michigan dairy facility

Foremost Farms USA has announced plans to build a dairy processing facility in Greenville, Mich. The co-op in November closed on the purchase of 96 acres of vacant property in Greenville and is working closely with the Michigan Economic Development Corporation and other state and local entities. The project is contingent upon receiving approvals of necessary local and state incentives and support, including a long-term wastewater treatment solution.

The Baraboo, Wis.-based co-op hopes the facility will be operating in 12-14 months. The plant would receive up to 6 million pounds of raw milk daily. Foremost says it would initially

process milk solids for internal use in farmer-owned production facilities in the Upper Midwest and for sales to customers and to strategic alliance partners.

“Foremost Farms’ executive management and board of directors plans to strategically build this facility in Greenville in order to control our own destiny in Michigan and unify our seven-state membership,” says Foremost Farms’ President/CEO Michael Doyle. “All of our members produce high-quality milk, and this facility is part of the plan to optimize that value today and into the future. Greenville is located just 30 miles west of the center point of our member milk in Michigan. It is an ideal location for us, and we look forward to moving ahead with a future dairy processing facility.”

The first phase of the project would provide the base to start a dairy processing “campus” at that site. Foremost is engaged in preliminary talks with companies interested in value-added production facilities/capacity in alliance with Foremost Farms at the Greenville site.

“The move effectively incorporates our Michigan member milk production into our core manufacturing business, with a path to growth and stability in the region and for all Foremost Farms members,” says Foremost Farms’ Chairman Dave Scheevel.

Greenville, in west-central Michigan, has a population of about 8,500. The land is part of the Greenville industrial park.

Blue Diamond cites environmental gains

In its 2017 annual report, Blue Diamond Growers highlights some of the gains it has made toward making its plant operations more environmentally sustainable. “Blue Diamond’s sustainability accomplishments over the last year were primarily driven by innovation and the relentless pursuit of continuous improvement,” the report notes.

Among the accomplishments cited are:

- Natural gas consumption decreased by 8.5 percent;
- Electricity consumption decreased by 7 percent;
- Water used for blanching almonds decreased by 5.7 percent;
- Various innovation and continuous improvement projects reduced waste by 5 million pounds and are saving 200,000 kilowatt hours in electricity used annually;
- The co-op’s new manufacturing building in Salida, Calif., achieved CalGreen Building Code Compliance status through planning and design innovation, water efficiency and conservation measures, material conservation and resource efficiency and environmental quality improvements.

“For more than a century, Blue Diamond’s grower-owners have been dedicated stewards of their land and trees to ensure future generations continue to deliver the benefits of almonds to the world,” the report says. “We believe that being a responsible cooperative means being part of our community in the widest sense. As a global business, Blue Diamond knows we will be measured not only by our success in the market, but also by our impact on environmental stewardship and community well-being.”

Co-op educator Francis Blackburn dies

Francis “Butch” Gene Blackburn died last summer at age 78 in La Crosse, Wis. During his career, Blackburn worked for the Wisconsin Federation of Cooperatives, Farmland Industries and the Minnesota Association of Cooperatives, where he was the executive director. He also served as executive of the Association of Cooperative Educators (ACE), among other positions.

Blackburn was born on a farm in Portland Township, Wis., and attended the University of Wisconsin-Madison.

FARM CREDIT'S BETTE BRAND TO LEAD USDA RURAL BUSINESS-COOPERATIVE SERVICE

Bette Brand began work Jan. 8 as the new administrator of the Rural Business-Cooperative Service (RBS), part of USDA Rural Development. She comes to USDA with more than 35 years of experience at Farm Credit, a producer-owned cooperative that is a major financial partner to rural America.

Brand served as a chief advocate for the agricultural industry by overseeing the Farm Credit Knowledge Center for Farm Credit of the Virginias (FCV). Her role included collaborating with ag industry organizations and agencies to develop programs to support farmers, advocating for agriculture on the state and national level, and educating policymakers and consumers about agriculture. For many years, she supported the entire FCV lending team in business

development of a \$1.8 billion credit portfolio and directly supervised the Commercial Agriculture and Agribusiness Lending teams.

At USDA, Brand will manage a portfolio of more than \$6 billion in loan, grant and loan guarantee programs that help rural Americans start and grow businesses, creating jobs and helping ensure rural prosperity. RBS includes USDA's Cooperative Programs office, the nation's leading source for information, research and statistics about cooperatives (publisher of *Rural Cooperatives* magazine).

Brand, who holds BS and Masters of Business Administration degrees from Virginia Polytechnic Institute, is a longtime member of the Virginia Agribusiness Council and serves on the board of the Virginia Horse Council. Previously, she served on the

boards for the Virginia Cooperative Council and the Virginia Foundation for Agriculture in the Classroom.

"Farm Credit of the Virginias and our customer-owners have benefited greatly from Bette's diverse insight and dedication for decades," says Peery Heldreth, CEO of FCV. "While we'll miss her exceptional contributions, we're also proud that she'll be bringing her expertise and understanding of the needs of farmers and rural communities to a broader audience."

"I've spent my entire career working with people in rural communities, giving me a strong perspective of their challenges and needs that I believe will be very beneficial in my new position," says Brand.

After college, he joined the U.S. Army, serving in Korea, Europe, Panama and in the Vietnam War. He later joined the Army Reserve, logging more than 26 years of service with the Army.

His expertise in cooperative development, training and lobbying benefited many, including the foreign exchange students whom he taught about cooperative farming in the United States. They took these concepts back to their home countries to implement. In retirement, Blackburn continued to work in cooperative development and education, volunteering on several trips to foreign countries.

During his career, Blackburn and his wife, Mary, moved 26 times. Education and dedication to cooperatives encompassed every aspect of his life, and friends say he did his best to leave

the world a better place.

USDA supporting rural broadband

USDA is investing more than \$200 million in infrastructure projects to bring broadband to hundreds of unserved and underserved rural communities, Anne Hazlett, assistant to the secretary for rural development, announced in November.

"Broadband infrastructure is vital to our economy and quality of life in rural America," Hazlett said. "Yet, today nearly 40 percent of rural residents and businesses lack access to the same quality service available in urban centers. Under Agriculture Secretary Sonny Perdue's leadership, USDA is working hard to bridge this gap. From access to health care to workforce training and connection to global

markets, broadband is truly a lifeline to prosperity in rural communities."

Hazlett discussed USDA's work to expand broadband access in rural areas during a visit to Upshur County, W.Va. She announced that USDA is awarding a grant to the Central West Virginia Development Association to provide broadband to more than 3,600 households, businesses and community facilities in Barbour, Randolph and Upshur counties.

Hazlett and Senator Shelley Moore Capito (W.Va.) met with local officials at Buckhannon-Upshur High School and discussed how the grant will help students with educational and career opportunities. They also met with business officials who welcomed USDA's assistance in a partnership to expand broadband infrastructure to underserved areas.

“The availability of high-speed internet is an absolute necessity for West Virginia students and businesses to be able to compete in a global digital economy,” Sen. Capito said at the event. “This investment by USDA is a critical step in connecting West Virginia, and I can’t wait to see the opportunities that will result from this project.... Given the tools, West Virginians can compete with anyone.”

Area officials say the USDA grant will build on recent transportation infrastructure improvements that are providing growth opportunities to local and regional businesses. Also, three area colleges will be able to provide expanded educational and career opportunities to their students.

While in West Virginia, Hazlett announced that USDA is awarding eight additional grants in Minnesota, Oklahoma, Tennessee, Virginia and Washington, as well as 10 loans to expand broadband in rural areas. The loans will provide new or improved broadband access for more than 71,000 residents and businesses in 74 counties in rural parts of Illinois, Iowa, Kansas, South Dakota, Tennessee, Utah, Virginia and Wisconsin.

These awards are being financed through USDA’s Telecommunications Program, which has provided financial assistance to more than 500 telecommunications providers nationwide.

Optimism for grain, ethanol market

Rising incomes worldwide will underpin global demand and create opportunities for U.S. exports in grains, oilseeds and ethanol, according to a new report from CoBank’s Knowledge Exchange Division. Meanwhile, global commodity surpluses, trade agreement renegotiations and relative strength of key currencies will set the scope of growth over the next three years according to the report, “2018-2020: Pressure on Grain and Farm Supply Sectors to Persist.”

“In the absence of major weather



A bright spot for U.S. grain producers will be the continual growth in world demand, fueled largely by growth of the global middle class. USDA photo by Preston Keres.

disruptions, global grain surpluses are expected to persist over the next three years,” says Tanner Ehmke, manager of CoBank’s Knowledge Exchange Division. “Acreage expansions and improvements to yields in competing export hubs will be headwinds for U.S. exports. The bright spot will be the continual growth in demand. As the global middle class grows, so will the opportunities for U.S. exports.”

Overall, U.S. grains, oilseeds and ethanol will face mounting competition in export markets, but there are specific considerations for each commodity.

By commodity sector, the report notes that:

Corn: In the short term, demand for corn will continue on a solid growth path. However, the trajectory is expected to slow over the medium term as livestock and broiler growth slows. The ethanol sector will also struggle to grow demand substantively due to changing market dynamics in Brazil

and remaining challenges related to higher blend levels in the United States. In the export market, corn will face significant competition from South America and Eastern Europe, specifically Brazil, Argentina and Ukraine.

Wheat: The long-term trends of low prices, declining acreage and rising export competition point to more challenges for U.S. wheat. “Russia’s dominance in the world wheat market creates an uphill battle for U.S. wheat farmers, many of whom are reducing or eliminating wheat in their rotations in search of more profitable crops,” says Ehmke.

Soybeans: The United States is still the world’s largest producer of soybeans, but has handed the mantle of largest exporter to Brazil. This trend is expected to continue as the value of the real (Brazil’s currency) remains

low compared to the U.S. dollar, and nagging infrastructure challenges in Brazil are improving.

Ethanol: Brazil and China are determined to reduce their dependence on U.S. ethanol. Expansion of U.S. demand also faces challenges as higher blend levels will be slow to gain acceptance. “The U.S. could lose Brazil as an export market, and it will also be competing globally with Brazil moving forward,” says Ehmke, adding that the U.S. focus will shift to such emerging markets as Mexico, Thailand, India and Indonesia for the medium term.

Farm supply: Commodity price stagnation and overcapacity in fertilizer production point to a weak fertilizer market over the short to medium term. Crop protection and seed sales are also expected to struggle due to low commodity prices and rising farm debt levels. Seed and chemical prices, though, are expected to rise, stemming

from mergers and acquisitions throughout the world and increased environmental regulatory burdens on chemical companies in China.

A brief video synopsis of the report is available on the CoBank's YouTube channel.

Real Pickles saluted for sustainability

Real Pickles, a worker-owned cooperative based in Greenfield, Mass., was honored in December with one of five 2017 Sustainable Business of the Year Awards from the Sustainable Business Network of Massachusetts. In operation since 2001, the cooperative makes pickled cucumbers, sauerkraut, beets, kimchi, hot sauce and other fermented foods, buying 300,000 pounds of local organic produce each year and processing it in its solar-powered and energy efficient facility.

"It feels good to be recognized for doing work that is so central to our mission of helping to build a more sustainable food system," says Addie Rose Holland, co-founder and co-owner of Real Pickles. The cooperative employs 22 workers, 10 of which are co-owners.

The Real Pickles facility includes high-efficiency lighting, a walk-in cooler that uses outside air during the cold months, and rooftop solar panels, which provide 75 percent of the facility's electricity needs. Real Pickles' products are sold at more than 350 retail outlets in the Northeast.

Income drops for CHS in 2017

CHS Inc. in November reported net income of \$127.9 million for the fiscal year ending Aug. 31, 2017, compared to net income of \$424.2 million for the previous year. Consolidated revenue of

\$31.9 billion for fiscal 2017 was about a 5-percent increase over 2016.

"It's been a challenging year, but we're committed to meeting the long-term needs of our cooperative owners and customers," says CHS President and CEO Jay Debertin. "We will continue to take prudent actions to ensure the company is well positioned for future opportunities."

CHS experienced a loss before income taxes of \$54.8 million, down from income before income taxes of \$419.9 million in fiscal 2016, reflecting significant charges that relate to a Brazilian trading partner entering into bankruptcy-like proceedings, intangible and fixed asset impairments, and bad debt and loan loss reserve charges, of which a significant portion relate to a single large producer-borrower.

"As fiscal 2018 unfolds, CHS is focusing on three key priorities:



Worker-owners of Real Pickles recently won a Sustainable Business of the Year Award from the Sustainable Business Network of Massachusetts.

strengthen relationships with owners and customers, sharpen focus on operational excellence and restore financial flexibility,” Debertin says. “I’m happy to report that we’ve seen progress on these priorities already. We are making significant headway towards managing credit risk consistently across the organization and are leveraging our ongoing asset review to drive decisions that will further strengthen our balance sheet.”

Performance by the co-op’s major business units include:

■ **Energy:** Income before taxes declined 72 percent, to \$76.9 million, primarily due to significantly reduced refining margins and a charge incurred for the write-off of assets associated with a cancelled project.

■ **Ag:** This segment — which includes domestic and global grain marketing, wholesale crop nutrients, renewable fuels, local retail operations, and processing and food ingredients — experienced a pre-tax loss of \$230.8 million, down from income of \$30.9 million in fiscal 2016. Grain marketing earnings decreased, primarily due to charges associated with Brazilian trading partners’ bankruptcy.

■ **Nitrogen production:** This unit generated income before taxes of \$29.7 million, compared to \$34.1 million in fiscal 2016. The decrease is primarily due to downward pressures on the pricing of urea and urea ammonium nitrate.

■ **Food:** This segment — comprised of the co-op’s investment in Ventura Foods LLC — generated income before taxes of \$26 million, down from \$64.8 million.

■ **Corporate and “other”:** Primarily comprised of the company’s wheat milling joint venture and Business Solutions operations, this area saw income before taxes increase to \$43.4 million, up from \$14.7 million.

In early December, Associated Press reported that CHS is closing three small plants — a soy processing plant in Hutchinson, Kan., another in Creston, Iowa, and an Innovation

and Technology Center at Eagan, Minn. AP quotes CHS spokeswoman Annette Degnan as saying a total of 144 employees at the three locations will be affected.

KDC working with egg co-op

Keystone Development Center (KDC), York, Pa., has been awarded a grant to continue supporting the Early Bird Farmers’ Cooperative, which markets certified organic eggs from member farms. KDC has been instrumental in the development of Early Bird, providing technical support services that include incorporation guidance, bylaws development, I.T. support, legal assistance, board training and surveying potential members.

Early Bird opened for business in mid-2017 and is currently ramping up sales and seeking an industrial



processing facility. The project is supported by a USDA Rural Cooperative Development Grant, through a partnership with the Cooperative Development Institute.

“Early Bird farmers-members uphold an unparalleled standard of ethics and integrity, acting as good stewards of the land and animals,” according to KDC. “Member farms are certified organic. The co-op will eventually ensure animal welfare standards met through American Humane certification of all farms.”

Member-farmers identified the co-op business model as a mechanism to cooperatively and ethically vertically integrate their production while diversifying and expanding their markets. “This model will ensure that farmers get a sustainable rate of

return for their eggs and that their rural communities will be supported, invested in, and nurtured. Members see investing in the co-op as building a legacy for their children and future generations.”

Van Kramer named CFO at California Dairies

California Dairies Inc. (CDI) in December appointed Van Kramer as senior vice president and chief financial officer (CFO). Kramer’s responsibilities will focus on the cooperatives’ financial, accounting, treasury, information technology and risk management functions. Based at CDI’s headquarters in Visalia, he will report to Andrei Mikhalevsky, president and CEO.

Kramer has more than 30 years of financial management experience with dairy cooperatives and food industry companies. Previously, Kramer served as the interim CFO for Glanbia Foods Inc., where he managed the finance and accounting functions for the company as it underwent an extensive restructuring project. He has also served as manager of cost accounting at Darigold Inc., and was production projects manager and plant controller at Leprino Foods. Most recently, Kramer was CFO for the Adams Group Inc., which produces organic cooking oils.

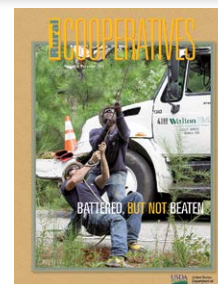
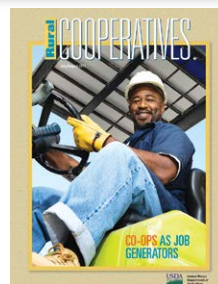
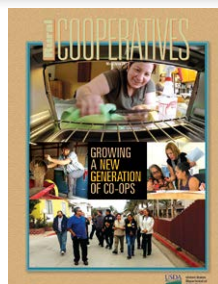
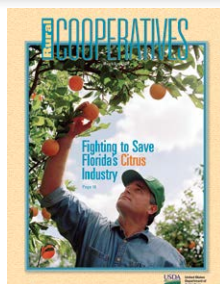
Kramer holds an MBA in finance from the Leeds School of Business at the University of Colorado-Boulder and an undergraduate degree in accounting from the same institution.

“Van will undoubtedly make an immediate impact on the cooperative,” says CEO Mikhalevsky. “He complements our strong returns-focused culture, and we believe his impressive background in the area of finance and his ability to achieve positive results make him the right choice to lead CDI’s financial strategy.”

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"Dr. Fuller's desire to serve rural Iowans was the spark that brought awareness to the need to bring young and talented dentists to rural Iowa," Hansen says. "FIND is a true partnership that begins as we form relationships with students in their early years of dental school and continues with community leaders who develop recruitment strategies and develop financial resources to attract the right dentist to their community."

USDA programs bolster effort

USDA Rural Development's participation in FIND is continuing to make a difference for better health in rural Iowa. In 2017, it awarded a \$300,000 Rural Economic Development

Grant to Farmers Mutual Cooperative Telephone Company to help with the expansion of Harlan Dental in Harlan, a community of 4,900 people.

Harlan Dental is owned by Dr. Alison Shields and Dr. Stephen Allen. Shields received her doctor of dental surgery (DDS) from the University of Nebraska Medical Center College (UNMC) in 2009. She and her husband moved to Harlan after graduation, where she worked as an associate dentist for six years.

Allen, who also received his dental degree from UNMC, has been practicing in Harlan for more than 30 years. Shields joined Allen as a partner in 2015.

"One of the main reasons I wanted to become a dentist was to help people," Shields says. "After graduating dental school, I compared practices in large communities vs. rural areas and

decided the greatest need was in a rural environment. I really wanted to get to know my patients and create a sense of family, and I felt being in a smaller town would accomplish that."

Shields and her husband, Brett, and their five young children enjoy living in Harlan.

"I like living and working in Harlan because of the people and the community," Shields adds. "Harlan is a great place to raise a family."

Construction on the new Harlan Dental office is expected to begin in early 2018. This expanded space and business growth is allowing Dr. Mary Hoch, a Harlan native and 2017 graduate from the University of Iowa College of Dentistry and Dental Clinics, to join Shields, Allen and Dr. Nathan Sommers at the clinic. ■

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