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STARTING A FRUIT AND VEGETABLE COOPERATIVE:
FACTORS TO CONSIDER

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PREFACE

A few fruit and/or vegetable producers or a large group may believe forming a cooperative is the answer to their marketing problems. However, before they start to organize and develop a new cooperative, they must understand what a cooperative is, the role of cooperatives in marketing, factors to consider before starting a cooperative, and the steps in determining if the proposed cooperative is feasible.

The major purpose of this publication is present a background information on fruit and vegetable cooperative development procedures. It is based on several speeches by the author, who also wishes to acknowledge the assistance given by James L. Goff and Francis P. Yager, Agricultural Economists, Agricultural Cooperative Service, USDA.

ACS Assistance

ACS provides technical assistance in response to specific problems. Requests may come from a few farmers seeking to organize a cooperative or federation of cooperatives composed of thousands of farmers desiring to improve operations. Help is given on business organization, operating efficiency, and member control. Work can involve determining the economic feasibility of a new cooperative, facilities, or adding new products or services. Advice may be given on the merits of merging organizations or forming new ones. Studies cover the full range of decision making found in a cooperative business enterprise.

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STARTING A FRUIT AND VEGETABLE COOPERATIVE:

FACTORS TO CONSIDER

This decade has been and promises to continue to be one of the most difficult and complexed in the history of American agriculture. Changes are taking place in every sector. To survive, farmers must be willing to make the tough decisions needed to deal with them.

Farmers must identify and stay ahead of changing financial, production and especially market conditions--not just react to them. Identifying the changing market is critical to all farmers. This is difficult because farmers are affected by the national and international situation, especially agricultural changes in other areas.

Unfortunately, farmers' production plans are often formulated without appropriate marketing plans. This often leads to disappointment. The belief that food sells itself often leaves farmers with unsold merchandise or at best, selling at distressed prices. Historically, farmers thought of the production process as tangible and marketing as intangible. As a result, many farmers based their marketing plans on inadequate information, relative to what the consumer wants and is willing to pay for.

In 1985 the farm value, or payment for the raw product, averaged only 31 cents of the retail cost of a market basket of U.S. farm foods sold in foodstores. The other 69 cents represents the cost added to the product by packing, processing, transportation, handling, and merchandising, plus profits for intermediaries between the farm and consumer. For many processed agricultural products, the value added after leaving the farm is even greater. Fruit and vegetable farmers get about 25 cents of the consumer dollar spent for fresh products and only 19 cents for processed products. Widening farm-retail spreads continued to push up food costs in 1986 and 1987. Preliminary figures indicate farm value is expected to decline about 2 percent in 1986.

Direct marketing efforts often enable farmers to obtain a higher proportion of the consumer dollar. In some areas, direct marketing is an alternative to other marketing channels. However, direct marketing is not a major substitute. During recent years, only about 2 percent of all farm sales have been direct farm-to-consumer.

Today many farmers are considering growing vegetables and small fruits for the commercial fresh market as an alternative or addition to their present production enterprises. The question is how they gain entry into the major markets and receive adequate returns for their products, when local direct-sales and other existing markets have been saturated?

If adequate markets do not exist and farmers are not able to develop them, they will remain at a severe economic disadvantage. To be successful, the solution to farmers' marketing problems must be well thought-out and properly implemented.

One major approach used by farmers to improve their marketing situation and economic well-being has been through the use of marketing and supply cooperatives. Although cooperatives have been around for many years and are very important to American agriculture, many people still don't have a clear understanding of what they are and how they can help solve economic problems. While the cooperative approach does not ensure success of any undertaking, it does provide a vehicle for farmers to bring together the resources needed to overcome many problems. The planning preceding development of a cooperative also affords the farmer-organizers a more realistic view of their proposed project.

WHAT IS A FARMER COOPERATIVE?

A farmer cooperative is a business organization owned and controlled by farmer-member users. The purpose of the business is to improve members' economic well-being by obtaining supplies, marketing farm products, and/or providing related services to the economic advantage of the owner-members.

Cooperatives are a unique form of business organization. While other forms of business operate for the benefit of their owners as investors, cooperatives operate for the mutual benefit of their owner-members as users of the cooperative's services. Therefore, they may act differently in a given situation.

Cooperatives operate according to principles that identify their distinctive characteristics. Four are most basic.

- o Service at cost--The purpose of a cooperative is to provide a service to its user-owners at the lowest possible cost, rather than generate a profit for investors. However, the cooperative must generate income sufficient to cover costs and meet continuing capital needs. Because many costs cannot be absolutely determined before year end, it is important for a cooperative to charge competitive market prices, or fees, for services, then determine its at-cost basis at year end.
- o Financial obligation and benefits proportional to use--In short, the more you use a cooperative, the more you benefit; or benefits are tied to use rather than to amount of investment. Organization papers usually include a provision that establishes the cooperative's obligation to return net margins (total income from all sources minus expenses) to patrons. When the net margin is returned to patrons based on their use, it is called a patronage refund. Members also have the responsibility to finance the cooperative in proportion to their use.

- o Democratic control--Voting control is vested with the membership rather than being based on the amount of stock each member holds. Democratic control is usually expressed as one-member, one-vote. A few cooperatives have limited proportional voting based on use.
- o Limited return to equity capital--This feature means that payments for the use of members' equity capital are limited. It does not mean that benefits realized from the cooperative, monetary or otherwise, are limited. The overriding value of the cooperative to its owners is in the services provided. Limiting the return on equity capital is a mechanism to support distribution of benefits according to use. It helps to keep management decisions focused on providing services attuned to members' needs. Limiting the payment for the use of equity capital is recognized by both Federal and State laws. To gain limited antitrust exemption provided by the Federal Capper-Volstead Act, a cooperative must either: 1) limit dividends on stock or member capital to 8 percent per year; or 2) follow one-member, one vote control. Some State laws require adherence to both principles.

In addition to operating under these distinctive principles, an important practice, particularly for new cooperatives, is to conduct continuing member education. Keeping owners educated on what's going on is an important practice for any business, but it is vital in a cooperative for at least three reasons:

- (1) The democratic control principle, exercised through majority rule, requires that the entire ownership be equally informed to assure enlightened decisionmaking;
- (2) The cooperative can be responsive to members' needs only if members express those needs and recognize they must bear the financial burden to fulfill those needs; and
- (3) Our education system doesn't give much cooperative instruction in business and economic courses and, therefore, the cooperative must be the educational institution for itself.

It should also be pointed out that cooperatives must also follow sound business practices.

MARKETING COOPERATIVES

It is important to put the role of cooperatives into proper perspective as they relate to the marketing of farm products and, more specifically, fruits and vegetables.

The 3,992 farmer cooperatives marketing farm products had total net sales of \$41.5 billion in 1986. This represented about 28 percent of total products marketed by farmers. A total of 395 cooperatives handled five billion dollars worth of fruits and vegetables, or about 17 percent of total fruits and vegetables marketed.

Role in Marketing Fruits and Vegetables

Cooperatives market fruits and vegetables in fresh or processed form and bargain for terms of trade. Operating cooperatives (as opposed to bargaining cooperatives) perform a variety of activities such as assembling, grading, washing, packing, processing, wine production, freezing, dehydrating, and selling on domestic and foreign markets.

These cooperatives also provide production, quality, and market information to members and may supply them with containers, seeds, plants, packaging supplies, herbicides, pesticides, and fertilizers. In addition, a few provide custom production services.

During the past 20 years, many small farmers, especially those entering commercial fruit and vegetable production for the first time, organized cooperatives to provide both facilities and services to support their production. These cooperatives gave special attention to solving production and marketing problems made more difficult by technical and capital requirements and the inexperience of their small volume producer-members. Many provide training in growing quality products, production scheduling to meet market requirements, and assistance in production. Most are in the assembly, packing, and marketing of fresh fruits and vegetables. They can assemble large enough quantities to attract buyers that individual members could not attract. Several cooperatives have been successful in marketing produce to independent buyers and regional markets.

Achieving success has been difficult for many small developing cooperatives. It has taken a combination of economic need, devoted leadership, extensive technical assistance, and adequate financing. These had to be blended in the right proportions if growers were to realize the long-term advantages of cooperative marketing. To obtain help with some of their problems, five small vegetable cooperatives in the Southeast organized the Horticultural Producers Federated Association in October 1983. It has now expanded membership to 14 cooperatives in seven States. These cooperatives have an estimated 1,600 farmer members producing and marketing some 12 vegetable crops with an estimated value of \$9.5 million in 1985. Tomatoes and peppers are the major vegetables marketed, but they also market cabbage, cucumbers, sweet corn, broccoli and melons.

The Federation has worked with Federal and State agencies to test the feasibility of potential Federation services based on a microcomputer network to: (1) provide current and reliable market information, (2) improve recordkeeping, (3) provide means to coordinate sales, and (4) facilitate communication among cooperatives. Thirteen member cooperatives now use microcomputers. All of those with microcomputers use payroll and recordkeeping programs to maintain their business records.

ACS and other agencies have worked with the Federation to develop centralized marketing that is enabling members to more effectively market their products and joint purchasing of supplies. The Federation initiated centralized marketing in 1987 of fresh vine ripe tomatoes, cabbage, and bell peppers. It plans to expand marketing to other produce and initiate a joint supply purchasing program in 1988.

Cooperatives have also been organized by larger established growers who face changes in production technology and market requirements. For example, growers of cultivated blueberries and strawberries formed cooperatives in Arkansas after the pick-your-own market became saturated. Apple growers in Kentucky and other Southeast States formed cooperatives to improve their markets. Recently, grape growers in New York organized to market juice and other grape products. And large commercial vegetable growers in New York organized to more effectively market onions and lettuce.

One indicator of the need for new fruit and/or vegetable cooperatives can be shown by the cooperative development activities of Agricultural Cooperative Service (ACS). During fiscal 1988, we assisted 20 new producer groups and 12 emerging cooperatives organized in previous years. These requests came from 14 different States and Guam. Two fruit and three vegetable groups were incorporated in fiscal 1986, two vegetable groups incorporated in fiscal 1987 and two in fiscal 1988; 3 groups decided not to proceed; and several are still evaluating their situation.

During the past few years, ACS' staff has assisted farmers with fresh strawberry marketing and freezing in California; expanding fresh blueberry marketing services in Arkansas and Maine; avocado and lime marketing in Florida; wine and grape marketing in Virginia, New Mexico and New York; potato storage and packing in Maine; Shiitake mushroom marketing in Virginia; tomato processing and marketing in New Jersey; vegetable cooling facilities in Hawaii; sweet corn packing and marketing in Georgia; and mixed fresh vegetable packing and marketing in many parts of the United States.

Potential for New Cooperatives

New cooperatives are still needed in many areas to help solve the marketing problems faced by fruit and vegetable producers. Changing economic conditions, increasing transportation costs, and changes in

traditional farm programs are leading many farmers to seek alternative crops. Many of these crops, such as vegetables, are being produced in non-traditional production areas where there is no well-developed marketing system, such as in the "tobacco belt" and "corn belt." In addition, established growers are looking for new markets as their existing markets have become saturated. Thus, producers are looking to the development of cooperatives to provide the needed marketing facilities and services. Due to competition from well-organized and established production areas and foreign imports, and high equity capital requirements by lenders, organizing successful new cooperatives will be difficult.

Finding the proper niche between production possibilities and market access is the key to determining how and where vegetable production should develop in the next decade. The future role of fruit and vegetable marketing cooperatives rests on farmers' goals. Some may want to operate independently. Other farmers' goals may lead to forming cooperatives or other agribusiness systems.

The cooperative approach to marketing fruits and vegetables does not automatically solve all problems or guarantee success. A cooperative is affected by the same economic forces and management practices as any other business. Some cooperatives fail because members do not understand this.

Producers wanting to form a cooperative should have a complete understanding of what is expected in terms of production and financial commitment to the cooperative and most important, a vigorous attitude toward their common marketing goal. Before starting the cooperative, organizers must ensure that an adequate quantity of product is available to justify its operations, and the quality will be what the market demands. Quality and adequate volume are vital to the success of fruit and/or vegetable cooperatives.

Potential members must realize the nature of cooperatives creates challenges not encountered in an individual proprietorship. How economic benefits are to be distributed, how new members will be allowed to join, method and kind of management, methods of paying growers, and enforcement of marketing agreements must all be spelled out before the cooperative is formed.

HOW TO GET STARTED

It takes only a few leaders to spark formation of a fruit and vegetable cooperative. Usually, they are friends interested in starting a new farm enterprise or expanding an existing one. They informally discuss business problems, decide others in the locality may have the same desire and need, and recognize a cooperative might help them develop a new source of income or improve returns from existing operations. Next, they explore what's needed to start such a cooperative. They look for someone who is familiar with cooperative development to work with them.

Such a person can often be found through the county Cooperative Extension Service office. It may be the county extension agent, an extension economist, or extension community resource development specialist. Other sources may include an established local agricultural cooperative, Vo-Ag teacher, State Department of Agriculture, State cooperative council, credit union, electric and telephone cooperative, or USDA's Agricultural Cooperative Service.

With the help of the adviser, farm leaders gather the facts and figures needed to present the cooperative idea to other potential members. This group calls a general meeting of potential members to discuss the idea and determine the extent of interest. The adviser attends the meeting to give advice and help answer questions beyond the information available to the leaders. If sufficient interest is shown at the first meeting, the next step is appointing a steering committee and developing a time frame to complete the analysis.

The committee should first consider alternatives to starting a new cooperative. It should evaluate and determine if similar services could be provided through membership in a cooperative near the area, either directly or by establishing a branch. Even if forming a new cooperative may be the best alternative, the advantages of establishing membership links with established cooperatives should be assessed.

If it is determined getting services from an existing cooperative is not the answer, the steering committee, with the help of the adviser, must take the leadership in getting two important tasks accomplished. First, it must be determined if a new cooperative is likely to succeed and benefit members. Second, if the cooperative has a chance for success, a specific, detailed business plan must be developed.

Experience has shown that the best approach to accomplishing this task is by conducting a feasibility study. The steering committee will require the services of one or more general advisers and several specialists. However, the steering committee will decide all matters of importance to organization and operation of the business.

Steps in Determining Feasibility

A general idea must first be obtained as to services the new cooperative might provide and an estimate of the cost of such services. If it appears it can improve existing services, provide members with services at a reduced cost, or provide a service not available, the next step is to conduct a detailed feasibility analysis of the new cooperative. This can best be done by the following approach:

1. Analyzing potential producer support. A minimum volume of quality product and financial investment is required from members for the business to be economically efficient. To estimate this support, a survey of potential member-producers should be conducted to determine projected membership composition, existing and potential production, production experience, time of harvest, use of the cooperative, and financial support.

An example of a producer survey is contained in appendix A.

The adviser discusses the analysis and estimates with the steering committee. If the findings indicate adequate producer support for the proposed marketing cooperative, potential markets for each product must then be evaluated.

2. Analyzing marketing potential. The adviser working with the steering committee must identify potential markets, project prices, and determine requirements to enter the market. This can be accomplished by using existing market studies, relying on industry data, and/or conducting a market survey.

Each market is evaluated based on the dates the cooperative will be marketing, projected volume, and estimated market price for each product. Buyers are identified that may be willing to purchase specific products and a determination made of their specific requirements.

Determining market potential probably is the most difficult task and usually the least accurate in planning a new vegetable cooperative.

The adviser prepares a written report on the survey that analyzes the volume of products found to have the greatest potential of being marketed. The adviser makes a recommendation to the steering committee on whether to continue with the development of the cooperative.

3. Developing operating assumptions. If the determination is that the potential for forming a cooperative is still favorable, the adviser working with the steering committee will develop preliminary operating assumptions based on the results of the producer and market surveys. Products and volume to be marketed, type of facilities and equipment, employee requirements, and method of paying growers all must be determined.

Care must be taken in selecting a crop or crops to be marketed by the cooperative. The crop must be suited to the growers' production capacity and not conflict for time spent by growers with other established cash crops. For instance, it is difficult to increase strawberry production in an area where tobacco is still the prime source of cash income because both compete for the same production time.

If the proposed cooperative is to handle more than one product, a "product mix" must be developed that will ensure most efficient use of facilities and equipment, estimates developed of volume of each product by grade and marketing period, packing container requirements determined, and other decisions made on how products will be handled and marketed. An important decision at this point is the method of grower payment. The adviser prepares a written report on the operating assumptions for the steering committee review.

4. Estimating costs. Based on operating assumptions and after consultation with engineers, equipment suppliers, and other specialists, the adviser will develop preliminary "ball park" estimates for land, facilities, and equipment costs; operating expenses; capital needs, interest on borrowed capital; and member equity requirements. These projections are then discussed with the steering committee.

The steering committee next calls a general meeting of potential members at which time the adviser presents the grower and market survey analysis report, preliminary operating assumptions, and estimated costs. It is critically important to tell potential members that the cost estimates are very preliminary and may change significantly if a decision is made to continue with the study. Once the growers have had adequate time to discuss the report and to recommend revisions, a vote should be taken on whether to draft a formal plan.

If the vote is to proceed, potential members should contribute a minimal equity amount to prove their sincerity. This money is used for expenses incurred during development of the cooperative.

The adviser and the steering committee determine the specific requirements and costs for start-up and operating the cooperative based on projected operating efficiencies, management and labor requirements, and capital needs.

- a. Facility cost--Facility requirements to meet the expected volume and product mix must be carefully determined along with consideration for future expansion. Cost of leasing versus purchase of facilities as well as new-versus-used must be evaluated.
- b. Operating costs--Estimating operating costs is one of the more important jobs in conducting the feasibility study. Potential members should not be led to expect a better performance than the cooperative can achieve.

5. Preparing financial projections. The adviser prepares a startup and at least one full year of financial projections on the proposed operations. These projections should include at least the following:

- o Requirements for long-term and operating capital;
- o sources of capital from member equity, loans, and other sources;
- o pro-forma cash flow by months showing cash received, cash distributed, and ending cash balance;
- o pro-forma operating statement; and
- o pro-forma balance sheet.

If the operating plan is fairly certain, these projections can be expanded to include 3 years of cooperative operations. However, if there are many uncertainties, it is best to delay doing 3-year projections until the major uncertainties are resolved with the steering committee, and/or institutions that may finance the proposed cooperative.

Examples of these financial projections are contained in appendix B.

6. Reporting feasibility analysis results. The adviser prepares a report to the steering committee for review and comment. The report is reviewed and revised until a realistic business plan is developed that potential members will understand. The report is then presented to the potential membership. At that time, a vote would be taken to determine if potential members want to proceed with organizing the cooperative. If positive, the potential members request the steering committee to proceed to organize.

Details on procedures in conducting a feasibility study and how to start a cooperative is contained in How to Start a Cooperative, CIR 7.

Organizing the Cooperative

The steering committee has four main tasks: draft the articles of incorporation and bylaws, sign up the required number of members, file the articles of incorporation, and arrange the first meeting of the members.

1. Legal papers. Drafting legal papers will require close cooperation with a legal adviser to ensure they provide the kind of operation the incorporators intend. These papers will include articles of incorporation, bylaws, and in most instances a marketing agreement. Some marketing agreements can be drafted to also serve as an application for membership. Other legal documents usually needed include membership application, membership or stock certificate, equity certificates, meeting notice, and waivers of notice. All documents must be drawn to conform to applicable State statutes. More information is contained in "Sample Legal Documents," Legal Phases of Farmer Cooperatives, ACS Information 100, Part 1, and State Incorporation Statutes for Farmer Cooperatives, ACS Cooperative Information Report 30. Drafts of legal documents are also available from Cooperative Development Division, ACS.

2. Sign up members. Signing up members may proceed best if a pre-organization agreement is used. By signing this document, the signer agrees to belong to and patronize the proposed cooperative and to furnish a specified amount of the initial equity capital if a certain number of other prospective members also sign up within a given time.

The committee may want to enlist others to help canvass prospective members. However, all who solicit should thoroughly understand the way the cooperative is to operate and make no promises or assurances about the cooperative's operation that cannot be fulfilled.

3. Incorporation. Filing the articles of incorporation in the proper State office brings about the legal birth of the cooperative corporation. The steering committee acts as incorporators and does the filing, usually with the help of an attorney.

4. The first meeting. Under most State cooperative statutes, bylaws must be adopted by a majority of members or stockholders within a certain number of days after incorporation. The procedure for bylaw adoption may vary, but essentially, a limited number of persons named in the articles of incorporation attend the first meeting as charter members to adopt the bylaws. The charter members, or shareholders, convene the meeting and transact the essential business, including the adoption of bylaws and the election of the first board of directors. As an information and public relations strategy, potential members should be invited to witness the important decisions made at this meeting.

As soon as possible after adopting the bylaws, directors should hold a board meeting to make the cooperative ready for operations. If this meeting is held without notice, the directors must sign a waiver of notice.

Business that should be considered at the first board meeting includes:

- o Elect the first officers of the cooperative;
- o select or start to select a manager;
- o adopt an application form for membership or stock subscription;
- o adopt the form of marketing agreement if one is to be used;
- o choose the bank the cooperative will use;
- o designate officers or employees to be authorized to handle funds and issue checks;
- o arrange for bookkeeping and auditing;
- o arrange for bonding officers and employees as required in the bylaws;
- o provide for necessary insurance;
- o arrange for securing financing;
- o arrange for distribution of copies of the articles of incorporation and the bylaws; and
- o establish a training program for members, directors, and manager.

Getting Started

The adviser should help the new board of directors and manager get started. But the adviser should not try to manage. The adviser may be required to help in the loan application process, which may require some revision to the financial projections. However, the adviser should not be involved in the loan negotiation process other than to provide information on the feasibility analysis.

Obtaining financing. Members must provide a substantial amount of the needed capital before the cooperative begins operations. Member funds--called equity capital or risk capital--are necessary to provide a basis on which to borrow funds, i.e., to obtain debt capital.

Collection of equity capital subscriptions by the board of directors should be undertaken as soon as the cooperative is legally incorporated to do so.

Most new cooperatives usually are not able to raise sufficient capital from members to fund the entire operations and therefore must borrow funds for acquiring facilities and/or for operating capital. Generally, facility capital is easier to borrow because land, buildings, and equipment can be provided as security.

The board must then locate a source of debt capital. This may be an individual, local bank, Bank for Cooperatives, government agency, or foundation. Cooperatives with reasonable prospects for success that have a substantial amount of member equity capital, and facilities to offer as security can usually secure loans.

Building Facilities. The culmination of the cooperative venture is building the facilities and placing them into operation to serve members. The job of developing a successful cooperative takes time, work, and dedication.

SPECIAL RULES FOR SUCCESSFUL OPERATIONS

Know the Law

Know the law pertaining to cooperatives and to all business matters. Know the requirements, the limitations, and the actions required. Selling of investment securities, tax consequences of issuing patronage refunds and handling member equity should be examined.

Get Expert Help

Get expert help in meeting the special problems of law, accounting, engineering, and marketing. Experienced cooperative development advisers can save directors and management much time and the cooperative much expense.

Directors require guidance in carrying out their duty to manage the cooperative while protecting themselves from adverse consequences of avoidable errors or wrongful acts. The subject of director liability is as complex as the operation of the cooperative itself.

Separate Policy and Management Functions

Except in the smallest of cooperatives, boards of directors are concerned primarily with setting basic policies and objectives, employing a manager, and reviewing operations to assure conformation with policies and objectives. The manager is responsible for day-to-day management of the association, hiring employees, and planning a program to carry out the policies and objectives established by the directors. Although the directors and the manager should work as a team, one should not interfere with the functions and responsibilities of the other.

A competent manager must be a good supervisor of the cooperative's employees and should be capable of developing and executing operating plans. The manager should be prepared to develop and advise the board of directors on policy alternatives and organization objectives. The manager's qualifications should include experience in the marketing of fruits and vegetables and an understanding of the requirements of the food industry. This person must be alert to improved methods and stay abreast of industry trends and changes. In addition, the manager should understand and be sympathetic to cooperative principles and able to develop membership confidence and loyalty.

Copies of "Cooperative General Manager's Job Description and Board Duties and Responsibilities" are available from the Cooperative Development Division, ACS.

Keeping Board Flexible

A flexible board assures regular changes in directors and a continuing benefit of new ideas and fresh approaches. To assure flexibility, the bylaws should provide for directors' terms of office to be staggered so some experienced directors remain on the board after each election. Also helpful would be bylaws requiring at least two nominees for each board vacancy, provisions for a nominating committee on which no director would serve, nominations from the floor, and voting by secret ballot.

Encourage Member Participation

A good member relations program can encourage active member participation. Members need to be informed of developments in operations, market outlook, new developments in production, and numerous other matters. Membership meetings, both annual and special, can be a means for getting this information to growers. But, perhaps more effective are management's--both the hired manager and the board--visits to members' farms where specific problems can be discussed and the use of newsletters to keep growers informed of current developments.

Be Realistic

"Be realistic" is an especially good general rule. Ask hard questions and insist on factual answers. Establish reasonable goals, but avoid overly ambitious undertakings. Encourage grower participation and membership, but never oversell potential benefits or underestimate any risks. Be realistic about the economic need for the cooperative and members' support and ability to finance the undertaking.

The cooperative development process is complex and time consuming. Organizers must understand that it may take several months to put all the pieces together to determine if a new cooperative may be feasible. Experience of ACS indicates that it takes at least 6 to 9 months of work before a report is finished. Most projects, if it is determined a new cooperative is feasible, take more than a year before the cooperative is operational.

WHAT WE HAVE LEARNED FROM OUR DEVELOPMENT EXPERIENCE IN ACS

We have learned a number of lessons from our organizing experiences. They should be considered before a new cooperative program is started.

1. Linkages with established cooperatives should be forged when possible. It is costly in many situations to reinvent the wheel by organizing a new cooperative in a community already served by an existing one. Means of working with and through existing cooperatives should be explored thoroughly.
2. There must be an economic need for a cooperative, and producers themselves must express this need. We have found producers readily measure their need in terms of dollars they are willing to invest in an initial equity subscription. Willingness to provide equity often is an indication of producers' economic need for a cooperative.
3. Cooperatives cannot live on grants. A grant is no substitute for a member-equity base in a cooperative's balance sheet. A cooperative simply can't borrow money without an adequate equity base. It can't be independent when it is dependent on grants or soft loans from a sponsor.
4. Premature equity-level setting is dangerous and leads to undercapitalized cooperatives. We have often seen promoters, including farmers, pick a modest initial equity level to help promote interest in a cooperative. Setting an equity amount at an early stage usually precedes careful budget planning and feasibility analysis. For this reason, equity levels must be clearly and realistically spelled out by a feasibility analysis.
5. Successful cooperatives usually are made up of a cross-section of producers in the community. Rather than limit the new cooperative to a certain income segment or to an ethnic or religious group, a cooperative has a better chance for success if its membership is a cross section of producers in the community. Often the volume added by large producers is essential to attaining efficiency levels necessary to being competitive.

6. Unsuccessful local businesses may not be successful if continued on a cooperative basis. Just because an existing business becomes a cooperative doesn't make it automatically successful. A facility could be technologically antiquated, fully depreciated, and overpriced. A solid feasibility analysis by an objective third party is required to determine the workability of an acquisition of an existing business by a proposed new cooperative. In some instances, a feasibility study shows there is a chance for economic success and the decision to proceed is then left to the producers.

7. High technology, capital-intensive operations are difficult to finance cooperatively. Producers usually do not have the necessary capital to purchase efficient plants for canning, freezing, slaughtering, and other processing operations.

8. A detailed business plan is necessary. A business plan including an equity base and loan fund package with proposed operations described in cash flow tables and pro forma financial statements enables producers to quickly consider substantive issues and discuss details with lenders.

9. Well involved manager and directors are vital for a cooperative's success. Cooperatives need capable experienced managers who are fair but tough. Directors should be informed and trainable and recognize their responsibility to set policy and guide the manager. Producer-members also need to take an interest and remind directors of their role. They must be committed to delivering a high quality product in adequate quantities for successful sales programs.

10. Cooperatives need good financial records. Inadequate data limit management's ability to properly control and evaluate the business.

11. Advisers are essential but they can't make a cooperative go. Outside technical advisers should have no control over a board and manager. They can conduct a feasibility study and recommend a business plan to the board and manager, but can't make them carry it out.

OTHER INFORMATION

How To Start a Cooperative, CIR 7.

Farmer Cooperative Publications, CIR 4.

Fruit, Vegetable, and Nut Cooperatives, CIR 1, Section 13.

"Sample Legal Documents," Legal Phases of Farmer Cooperatives, Information 100, Part 1 and Federal Income Taxes, Information 100, Part 2.

For copies, write Agricultural Cooperative Service, Washington, D.C. 20250-2900.

APPENDICES

UNITED STATES DEPARTMENT OF AGRICULTURE
 Agricultural Cooperative Service, P.O. Box 96576
 Washington, D.C. 20090-6576

OMB Number 0537-0008
 Approval Expires:
 January 31, 1989

Producer Survey
Podunk Center Vegetable Cooperative

While you are not required to respond, your help is needed to provide data in developing plans for a proposed marketing cooperative, sponsored by PODUNK CENTER VEGETABLE COOPERATIVE. All tabulations and analysis will be done by Agricultural Cooperative Service, USDA.

All answers will be treated confidentially.

1. Contact person for the farm _____

Address _____ Zip Code _____

County _____ Phone (day) AC _____ (evening) AC _____
 Miles from Podunk, USA _____ (miles) Location of farm _____
 (highway or road number)

2. If a good marketing plan can be developed, are you interested in marketing fruits/vegetables through the proposed cooperative?

Yes _____ No _____ If yes, go to Question 3.

If no, do you wish to be kept informed about the cooperative as a potential grower in the future? Yes _____ No _____ (Please end questionnaire)

3. Are you willing to sign a marketing agreement committing yourself to sell your fruits/vegetables through the cooperative? Yes _____ No _____

4. Are you willing to follow the cooperative's recommendations on varieties to plant and cultural and harvesting practices? Yes _____ No _____

5. Banks generally require cooperative members to make initial investments of 20 to 50 percent of the capital needed to purchase facilities and finance operations.

a. Are you willing to make an initial investment in the cooperative in proportion to your projected use? Yes _____ No _____

b. Are you willing to invest a minimum of \$100 initially in the proposed marketing cooperative? Yes _____ No _____

6. Per-unit retains are a method of supplying continuing equity capital to the cooperative. They are deducted from patrons' sales proceeds in proportion to the volume of products they market through the cooperative. Are you willing to help finance the cooperative with per-unit retains? Yes _____ No _____

7. How much of your vegetable acreage is irrigated? _____ acres. Not irrigated? _____ acres.

8. Would you be willing to grow different vegetables if the cooperative requested you do so? Such as cabbage, tomatoes or peppers.

Yes _____ No _____

9. Do you have packing facilities on your farm? Yes _____ No _____
 If yes, what crops do you pack? _____

10. Please record production and marketing data in the accompanying table.

Crop	HISTORIC						FUTURE					
	Acres planted		Volume sold			Acres to be: planted		Sld thru CO-OP?				
	1987	1988	Units*	1987	1988	--Number--	1989	1990	1989	1990	--Number--	--Number--
	--Number--	--Number--		--Number--	--Number--		--Number--	--Number--		--Number--		--Number--
Sweet corn												
Bell peppers												
Cucumbers												
Cabbage:												
Spring												
Fall												
Squash:												
Zucchini												
Yellow												
Greens (all)												
Broccoli:												
Spring												
Fall												
Tomatoes												
Herbs												
OTHER (specify):												

* dozen, pounds, 50 lb. bags, 20 lb. boxes, field crates, etc.

11. Are you interested in the proposed cooperative packing any of your crops?
Yes No

Comments: _____

Thank you.

UNITED STATES DEPARTMENT OF AGRICULTURE
 Agricultural Cooperative Service, P.O. Box 96576
 Washington, D.C. 20090-6576

OMB Number 0537-0511
 Approval expires 12/31/1990

You are not required to respond, but your help is needed to provide data for a proposed new cooperative. All answers will be treated confidentially.

Buyer Survey: Podunk Center Vegetable Cooperative

1. Firm name _____

Address _____

Phone Number _____

Respondent's name _____ Position _____

2. Type of firm

Wholesale buyer	Grocery store--warehouse level
Broker	Grocery store--store level
Institutional buyer	Processor
Restaurant	Jobber
Other(specify)	_____

3. Which of the following vegetables does your firm normally buy?

Tomatoes	Broccoli	Bell peppers
Cabbage	Cucumbers	Snap beans
_____	_____	_____

4. For the last 12 months, what were your firm's average weekly purchases of these vegetables during the indicated harvest periods?

Vegetables	Harvest period	Volume purchased	
		Unit 1/	Number of units
Tomatoes	July 1-Sept. 15	_____	_____
Bell peppers	July 1-Sept. 15	_____	_____
Spring cabbage	June 1-July 15	_____	_____
Fall cabbage	Oct 1-Nov. 15	_____	_____
Spring broccoli	June 1-July 15	_____	_____
Fall broccoli	Oct. 1-Nov. 15	_____	_____
Snap beans	June 15-July 15	_____	_____
Cucumbers	July 1-Sept. 15	_____	_____
_____	_____	_____	_____

1/ Pounds, 20 pound box, 50 pound bag, etc.

5. What are your firm's minimum specifications for purchasing these vegetables?

Vegetable	Quality	Packaging requirements	Minimum volume per delivery	Frequency of deliveries	Other requirements 1/
Tomatoes	_____	_____	_____	_____	_____
Bell peppers	_____	_____	_____	_____	_____
Cabbage	_____	_____	_____	_____	_____
Broccoli	_____	_____	_____	_____	_____
Snap beans	_____	_____	_____	_____	_____
Cucumbers	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

1/ Cooling, waxing, etc.

6. Does your firm require that vegetables purchased be graded by a USDA-licensed inspector? yes no

7. What percent of these products does your firm F.O.B. shipping point and F.O.B. your receiving dock?
 % F.O.B. shipping point % F.O.B. receiving dock

8. For products bought F.O.B shipping point, do you expect the seller to:
 a. Arrange transportation? Yes No
 b. Pay for transportation and bill your firm? Yes No
 c. Other (specify) _____

9. How long after delivery does your firm normally pay for vegetables purchased?

fewer than 10 days 10-20 days

21-30 days more than 30 days

10. Please rank the importance of the following factors in your firm's decision to purchase vegetables from a supplier. (Use a scale of 1 to 10, with 10 being most important)

<input type="checkbox"/> Quality	<input type="checkbox"/> Dependability
<input type="checkbox"/> Price	<input type="checkbox"/> Prompt handling of quality disputes
<input type="checkbox"/> Delivery schedule	<input type="checkbox"/> Local production
<input type="checkbox"/> Packaging used	<input type="checkbox"/> Variety of products available
<input type="checkbox"/> Payment terms	<input type="checkbox"/> Supply available over long period
<input type="checkbox"/> Quantity available	<input type="checkbox"/> Distance
<input type="checkbox"/> Other (specify) _____	

a. Does the importance of these factors vary between vegetables?

yes no

b. If yes, please explain _____

11. Has your firm ever purchased vegetables produced in the Podunk Center area? _____ Yes _____ No _____ Don't know _____

If yes,

a. What vegetables have been purchased? _____

b. What, if any, problems has your firm had with these vegetables?

12. Assuming your firm's minimum specifications are met and prices are competitive, are you interested in buying fresh vegetables from the proposed cooperative? _____ Yes _____ No.

If no, thank you for your time.

If yes, continue.

13. Please indicate your firm's potential weekly vegetable purchases from the proposed cooperative during the indicated harvest season.

Vegetable	Harvest season	Potential purchases	
		Unit 1/	Number of units
Tomatoes	July 1-Sept. 15	_____	_____
Bell peppers	July 1-Sept. 15	_____	_____
Spring cabbage	June 1-July 15	_____	_____
Fall cabbage	Oct 1-Nov 15	_____	_____
Spring broccoli	June 1-July 15	_____	_____
Fall broccoli	Oct 1-Nov 15	_____	_____
Snap beans	June 15-July 15	_____	_____
Cucumbers	July 1-Sept 15	_____	_____
_____	_____	_____	_____

1/ Pounds, 20 pound box, 50 pound bag, etc.

14. Do you want the cooperative to contact you as a potential buyer if it becomes operational? _____ Yes _____ No.

Thank you for your cooperation.

MEMBERSHIP/MARKETING AGREEMENT

THIS AGREEMENT, made as of this _____ date of _____, 19_____, by and between
_____, herein referred to as "GROWER" or "MEMBER",
(grower name)

and _____, an agricultural cooperative
(name of cooperative)
organized under the laws of the _____ and having an office at
(state)
_____, herein referred to as "A SOCIATION".
(address)

RECITALS

A. Association is an agricultural cooperative organized under the laws of
_____ and is currently engaged in the construction of a
(state)
_____ processing and marketing facility.
(product)

B. Grower is a member of the Association who produces _____.
(product)

C. Grower has paid to Association the sum of _____ dollars
(\$ _____), calculated at the rate of \$ _____ per _____,
(unit)
receipt of which is acknowledged, as a membership fee and an investment in the
equity capital of the Association, which entitles the Grower to all the
benefits of membership as long as he complies with the Articles of
Incorporation and Bylaws of the Association and the provisions of this
agreement.

In consideration of the mutual covenants and obligations contained herein, the
parties agree as follows:

*****OPTIONAL-Gross Margin Operation*****
Section 1. Sale of _____. Association agrees to buy and Grower agrees to
(product)
sell to Association _____ of _____ as defined by USDA standards
(number) (units) (product)
and grown by him. This agreement is intended by the parties to pass an
absolute title to _____ of _____ grown by member as soon as they
(number) (units) (product)
have a potential existence but such _____ shall be at the risk of Grower
(product)
until delivery.

Section 2. Price. Association shall pay and Grower shall accept as the price
for his _____ a price based on the current market price in the area for
(product)
like grade and quality of _____.
(product)

*****Pooling Operation*****

Section . Pooling of Product. The Association may at any time pool any or all _____ of the Grower with any other _____ of a similar kind and (product) (product) grade. The Grower shall receive, for _____ pooled, a unit price equal to (product) the average net unit price obtained for the pooled _____, minus charges (product) authorized by this contract.

Section . Delivery. All _____ shall be delivered by Grower at his (product) expense at the earliest reasonable time after harvesting or at such time as called for by the Association to the Association's principal place of business near _____, _____, _____ (location by road, county, state) or to one of the Association's authorized buying locations as prescribed by the Association. The Association will use its best efforts to locate buying locations within a reasonable distance from each member's farm.

Section . Inspection and Grading. Prior to acceptance by the Association, all _____ shall be inspected and graded by the USDA in accordance with USDA (product) standard rules and regulations. All purchases/marketings of _____ by the (product) Association from Grower shall be based upon USDA grade and Grower agrees to accept the grading established by USDA.

Section . Loans and Security. Association shall have the power to borrow money for any purpose on the security of the _____ delivered to the (product) Association, the products derived thereupon, and evidence of such products or by-products, or cash or accounts arising from the sale thereof, and to give a lien, either legal or equitable thereon as the absolute owner/marketing agent thereof. Association may grade, pool or co-mingle such products and by-products or any part thereof with other products of like grade and variety, and shall exercise all other rights of ownership without limitation.

Section . Deductions and Payment. Association agrees to purchase from/market for Grower the _____ set forth in Section 1 and to pay to (product)

Grower for said _____ the price set forth in Section __, less the following (product) deductions authorized by Grower:

- a. A _____ percent (_____.____%) withholding by the Association in the purchase price of each _____ of _____ purchased from each member with the balance (unit) (product) (less the other deductions in this Section __) payable within __ days of delivery.

b. A \$____ per _____ capital retain deduction by the Association on the
(unit)
purchase price of each _____ of _____ purchased from each member of the
(unit) (product)

Association; and

(c) An amount to be determined annually by the Board of Directors, if deemed necessary in the sole discretion of the Board, to meet the general contingencies of the business of the Association including operating expenses. All retained amounts are portions of each member's payment, are being withheld for the Association's use, are considered taxable income to each individual member for the year of deduction and shall be represented by non-interest bearing capital reserve account certificates issued by the Association to each member indicating the exact amount retained from each member. All retained sums shall be used to credit the required debt service reserve, as herein defined, or if the required debt service reserve has been achieved, to pay down the outstanding principal balance owed on the Association's operating line of credit, or used in such other manner as may be approved in writing by the Board of Directors.

Section . Liens. Grower shall notify the Association of any lien on any _____ covered by this agreement and Grower shall obtain permission from (product)

the lien holder for Association to market such _____ in accordance with (product)

the liens herein by permitting Association to retain any deductions from the gross sales price authorized hereunder and under the Articles of Incorporation and Bylaws of the Association. After any such deduction Grower authorizes the Association to apply the balance of the sale proceeds, or so much thereof as necessary, for payment of the lien.

Section . Liquidated Damages. Because the remedy at law would be inadequate and it would be impracticable and difficult to determine the actual damages to the Association should Grower fail to deliver the _____ covered hereby, (product)

regardless of the cause of such failure, producer hereby agrees to pay to the Association for all such _____ delivered or disposed of by him, other than (product)

in accordance with the term hereof, the sum of _____ (\$_____._____) per _____ on all such _____, as liquidated damages for the breach of _____ (unit) (product)

this agreement. All parties agree that this agreement is one of a series dependent for its true value on the adherence of all the contracting parties to all of the agreements, but the cancellation of any other similar agreement or the failure of any of the parties thereto to comply therewith shall not affect the validity of this agreement. Failure to deliver the _____ (product)

committed herein due to ACTS OF GOD shall not constitute a breach of this agreement.

Section . Legal Costs and Expenses. If the Association brings any action whatsoever by reason of a breach or threatened breach hereof, Grower shall pay to the Association all costs of court, costs for bonds, travel expenses and all other expenses arising out of or caused by the litigation including reasonable attorney's fees expended or incurred by it in such proceedings, and all such costs and expenses shall be included in the judgment.

Section . Termination and Renewal. After this agreement has been in effect () years from the date of execution, either party may terminate it in any year on the last day of the anniversary month in which this agreement was accepted by notifying the other party in writing not less than () days prior to the effective date of termination. It is mutually agreed that failure to so terminate in any year shall constitute conclusive evidence that the parties have renewed this agreement for another year.

Section . Nonconforming Agreements. Association may enter into agreements with other growers differing in terms from those contained herein, consistent with the Bylaws of the Association, without invalidating this agreement, provided that Grower at his request may sign a similar agreement as a substitute for this agreement.

Section No Contrary Agreements. Grower warrants that he has not contracted to sell, market, consign or deliver and will not contract to sell, market, consign or deliver any during the term of this agreement to (product) any person, firm or corporation, contrary to this agreement.

Section Settlements. At such times as the Directors of the Association may determine, the Association will make a partial or total settlement with Grower for sold by the Association. At least once each year during (product) the term of this agreement, a complete settlement for that year's business shall be made between the Grower and the Association.

Section . Statements. At the annual meeting of the Association, the proper officers shall submit to the members, including Grower, a statement showing the operating results of the Association for the prior fiscal year, a statement of the Association's financial condition for the prior fiscal year and deductions from and distributions to members based on the financial results of said prior fiscal years.

Section . Forfeiture of Membership. Violation of this agreement in any material respect by Grower, or Grower's failure to comply with the Articles of Incorporation and Bylaws of the Association due to willful non-delivery of subject to this agreement shall result in a complete forfeiture of (product) his membership in the Association, together with all accumulations to his credit in any fund of the Association, including the reserve fund, and all of his rights and privileges as a member; providing he is found guilty of such violation in the form and manner required by the Bylaws of the Association, or any amendments thereof.

Section . Statistical Data. From time to time Grower agrees to mail to the Association any statistical data requested, on the form provided for that purpose by the Association.

Section . Specific Performance. Grower agrees that in the event of a breach or threatened breach by him of any provisions of this marketing agreement regarding delivery of _____, the Association shall be entitled (product)

to a preliminary restraining order and an injunction to prevent breach or further breach hereof and to a decree of specific performance hereof. The parties agree that this is a contract for the purchase and sale of personal property under special circumstances and conditions and that the Association may but shall not be obligated to go into the open markets and buy _____ (product)

to replace any which Grower may fail to deliver.

Section . Articles and Bylaws. Grower agrees to conform to and observe the Articles of Incorporation and Bylaws of the Association now in force and as they may be amended hereafter.

Section . Assignment. This agreement may be assigned by the Association in its sole discretion. Grower may assign this agreement but only upon written authorization granted by the Board of Directors.

Section . Entire Agreement. It is agreed that the Articles of Incorporation and the Bylaws of the Association, now or hereafter in effect, and this marketing agreement constitute the entire agreement between the Association and the Grower, and that there are no oral or other conditions, promises, covenants, representations, or inducements in addition to or at variance with any terms hereof.

Section . Governing Law. This agreement shall be governed by the laws of _____.
(State)

IN WITNESS WHEREOF, these parties have executed this agreement as of the day, month and year first above written:

Grower

(Cooperative name)

By _____

President

ATTEST:

Secretary

Some State laws provide for filing or recording cooperative marketing contracts in a county recorder's office to give notice to third parties that the contract exists. Add acknowledgment if the contract is to be filed or recorded.

MEMBERSHIP APPLICATION

(Name of cooperative)

(Address)

Re: Subscription for Shares

Gentlemen:

In consideration of the benefits to accrue to me as a stockholder and producer of _____ and in further consideration of the stock
 (product)

subscriptions submitted to you by other _____ producers, the
 (product)

undersigned does hereby subscribe to and offer to purchase and acquire a pro-rata number of shares of common stock in _____
 (name of cooperative)

(hereinafter called the corporation) as determined by the Board of Directors based on my firm obligation to invest in the corporation the following sum of money in cash and payable on demand:

No. of (product)	Amount of
Committed (unit)	Investment per (unit)
Total.....	\$ ____.

This agreement to invest in the shares of common stock of the corporation shall be a legally binding contract between me, the corporation, and other _____ producers who sign similar agreements to subscribe to the
 (product)

common stock of the corporation and shall be irrevocable by me from this date through and including _____.
 (date)

It is my express understanding that this stock subscription agreement is a firm commitment and legally binding obligation by me which will be relied upon by the corporation and other _____ producers who
 (product)

subscribe to its stock and more importantly will be relied on by lending institutions from whom the corporation will seek financing in order to implement its corporate purposes which have been fully explained to me and with which I understand and agree.

I understand that this subscription for shares must be mailed and postmarked on or before _____ addressed to _____,
 (date) (name of cooperative)
 _____ I further understand that
 (address)
 subscriptions will be accepted on a first come serve basis.

*Assumes _____ yields _____ of _____.
(unit) (units) (product).

Witness my hand and seal this _____ day of _____, 19____.

Producer's Signature

(_____
Print Name Here

Address _____
RFD or Street No. _____ Town _____ State and Zip Cod _____

Social Security N . _____
County _____

* * * * *

(For Use by Corporation)

Accepted this _____ day of _____, 19____.

(name of cooperative)

By: _____
President

By: _____
Secretary

APPENDIX

FINANCIAL PROJECTIONS

1. Capital requirements

Item	Dollars
Long-term capital investment:	<u>xxxx</u>
Land	xxxx
Building	xxxx
Cooler	xxxx
Washer-grader	xxxx
Forklift	xxxx
Sales	xxxx
Field boxes	xxxx
Office equipment	xxxx
Supplies:	
Containers	xxxx
Office supplies	xxxx
Farm supplies	xxxx
Operating capital	<u>xxxx</u>
Total	xxxx

2. Source of capital

Item	Total	Equity from members	Loan
		Dollars	
Long-term capital	xxxx	xxxx	xxxx
Supplies	xxxx	xxxx	xxxx
Operating capital	xxxx	xxxx	xxxx

3. Cash flow by months, startup, and first year of operations

Item	Startup	July	Aug.	Sept.	Oct.	Total
<u>Dollars</u>						
Cash received:						
Sales of product	0	XXX	XXX	XXX	XXX	XXX
Farm supplies sales	0	XXX	XXX	XXX	XXX	XXX
Per-unit retains	0	XXX	XXX	XXX	XXX	XXX
Capital loan	XXX	0	0	0	0	XXX
Membership stock	XXX	0	0	0	0	XXX
Total received	XXX	XXX	XXX	XXX	XXX	XXX
Cash outlay:						
Long-term capital	XXX	0	0	0	0	XXX
Cash disbursed:						
Producer payments	0	XXX	XXX	XXX	XXX	XXX
Manager salary	XXX	XXX	XXX	XXX	XXX	XXX
Labor	0	XXX	XXX	XXX	XXX	XXX
Farm supply purchases	XXX	0	0	XXX	0	XXX
Containers	XXX	0	0	XXX	0	XXX
Delivery costs	0	XXX	XXX	XXX	XXX	XXX
Maintenance and repairs	0	0	XXX	0	XXX	XXX
Insurance and licenses	XXX	0	0	0	0	XXX
Telephone	0	XXX	XXX	XXX	XXX	XXX
Electricity and water	0	0	XXX	XXX	XXX	XXX
Auditing and bookkeeping	0	XXX	XXX	XXX	XXX	XXX
Advertising and promotion	0	XXX	XXX	XXX	XXX	XXX
Property taxes	0	0	0	0	XXX	XXX
Office supplies	XXX	0	0	0	XXX	XXX
Loan payment	0	0	0	0	XXX	XXX
Total outlay	XXX	XXX	XXX	XXX	XXX	XXX
Net cash flow for period	XXX	XXX	XXX	XXX	XXX	XXX
Ending cash balance	XXX	XXX	XXX	XXX	XXX	XXX

4. Pro forma operating statement, year ending
October 31, 198x

Item	198x
<hr/>	
Revenue:	
Packing fees	xxx
Farm supplies sales	xxx
Less: Cost of farm supplies	xxx
Margin	<u>xxx</u>
Net revenue	xxx
Expenses and cost:	
Salaries, wages, and fringe benefits	xxx
Containers	xxx
Delivery costs	xxx
Maintenance and repairs	xxx
Insurance and licenses	xxx
Telephone	xxx
Electricity and water	xxx
Audit and bookkeeping	xxx
Advertising and promotion	xxx
Property taxes	xxx
Office supplies	xxx
Interest	xxx
Depreciation	<u>xxx</u>
Total expenses	xxx
Net margins (loss)	xxx
Allocation of net margins:	
Farm marketing patrons--	
Cash distribution	xxx
Allocated equity	xxx
Farm supply patrons--	
Cash distribution	xxx
Allocated equity	xxx
Retained net margins-allocated	<u>xxx</u>
Total	xxx

5. Balance sheet, as of October 31

Account	198x
	<u>Dollars</u>
Assets:	
Current-	
Cash/bank	xxx
Accounts receivable:	
Trade	xxx
Members	xxx
Inventories:	
Products	xxx
Containers	xxx
Prepaid expenses	xxx
Total current	xxx
Fixed-	
Land	xxx
Building	xxx
Equipment and field boxes	xxx
Office	xxx
Less: reserve for depreciation	xxx
Net fixed	xxx
Total assets	xxx
Liabilities:	
Current-	
Accounts payable	
Trade	xxx
Members patronage refund	xxx
Taxes	xxx
Notes and loans	xxx
Total current	xxx
Long-term-	
Notes and loans	xxx
Total liabilities	xxx
Member equity:	
Stock	xx
Per-unit retains	xx
Retained net margins-allocated	xx
Retained patronage refunds	xx
Total equity	xx
Total liabilities and equity	xxx

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