

Rural COOPERATIVES

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We Can Do It!



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More women attain
co-op leadership roles

J. S. Smit

Commentary

Local food is a cooperative venture

By Kathleen Merrigan, Deputy Secretary
U.S. Department of Agriculture



Since our first days at USDA, Secretary Tom Vilsack and I have been crisscrossing the country talking to farmers and ranchers, food retailers and wholesalers, and many thousands of others whose livelihoods depend on agriculture. Here's one thing we've heard loud and clear: Americans are interested in buying more food from local producers and knowing that their food dollar supports the local economy.

The numbers bear out the local trend: In 2011, more than 85 percent of customers polled by the National Grocers Association said that they chose a grocery store based in part on whether it stocked food from producers in their region. Today, we have more than 2,000 farm-to-school initiatives nationwide, up from only 400 in 2004.

The groundswell of interest in local foods in turn creates opportunities for new jobs, revenue and economic development. America's rural cooperatives have a key role to play in developing strong local and regional food systems.

Cooperatives owned by producers from a specific region can aggregate, store and market members' products to a variety of local buyers. They are well-positioned to share information about their producer-members and help consumers learn more about who produces their food. Retail cooperatives, which are owned by consumer members, are a model that has been used to develop "food hubs" that aggregate local farmers' products and sell them to members and others.

USDA is working on myriad fronts to help cooperatives take greater advantage of these new market opportunities. Just a few examples:

- Rural Cooperative Development Grants from USDA Rural Development have helped the Rocky Mountain Farmers Union in Colorado to assist the High Plains Food Cooperative in launching an online farmers' market, where consumers can order products for delivery from co-op member-producers.
- Producer-members of the Shepherd's Grain farming cooperative in Washington and Oregon grow much of their wheat for export. But between 15 and 30 percent of their crop is high-quality hard red spring wheat that is processed



U.S. Agriculture Deputy Secretary Kathleen Merrigan discusses the Know Your Farmer, Know Your Food initiative with Alex Gyori, general manager of Brattleboro Food Co-op in Vermont. USDA photo

and sold regionally, offering the farmers a better return while local bakeries use it to produce popular products. With support from USDA's Sustainable Agriculture Research and Education program, the cooperative was able to train its producers in the use of no-till farming to preserve the soil and reduce fuel use — and then convey that information to its customers.

USDA is eager to help cutting-edge businesses like this grow, develop and succeed — and we have a lot to offer. Until recently, however, it has been daunting for producers and others in the agricultural community to navigate USDA resources.

That's why USDA launched the Know Your Farmer, Know Your Food Initiative in 2009. It's a tool to coordinate the department's work on local and regional food systems and leverage existing resources to strengthen them. The initiative developed a website that serves as a "one-stop shop" for local food tools and resources from USDA: www.usda.gov/knowyourfarmer. Most recently we launched the Know Your Farmer, Know Your Food *Compass*, an online map and compendium of stories, photos, videos and resources available from USDA: www.usda.gov/kyfcompass.

Stay tuned to the next issue of this magazine for more articles and resources — and let us know how your cooperative is strengthening local food systems by commenting on the USDA blog, by sending us a tweet at #KYF2, or by e-mailing us at: knowyourfarmer@usda.gov. ■

Features

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ON THE COVER: Posters of "Rosie the Riveter," as she came to be known, were used during World War II to encourage women to perform jobs in heavy industry that had traditionally been done by men. Assistant Editor Stephen Thompson tweaked the art just a little — adding "Co-op" to her head scarf and changing the button on her collar to a Farm Credit logo — to kick off a pair of features about women who have attained leadership positions in the Farm Credit System. They share their stories in the hope of encouraging more women to run for co-op boards. See page 4.



She's taking care of business



Montana producer Mary Fritz paves a trail for women leaders in Farm Credit System

By Dan Campbell, Editor
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Does it ever feel like the bar sometimes gets set a few notches higher for a woman looking to fill an agricultural leadership position traditionally held by a man? Mary Fritz, a Montana grain and cattle producer, needs only about one second to ponder this question before answering: “Oh yeah!”

In 18 years of serving in leadership positions in the Farm Credit System, Fritz has had to contend with some who thought a woman wasn't capable of the job. But it hasn't stopped her from attaining leadership positions in the Farm Credit System that no woman had held before her, and in which she has proven to be more than capable of taking care of business. Any vestiges of sexism encountered along the way have been viewed as obstacles to be dealt with and overcome, never as a stopping point.

“Mary has definitely been a great leader for women in the Farm Credit System (FCS),” says Everett Dobrinski, chairman of the CoBank board. In 1994, Fritz became the first woman ever elected to her local Farm Credit advisory board in Montana. While she found that some of the board members readily accepted her presence, others “were from the old school. I had to prove myself over and over.” Her business skills and knowledge gradually won them over, and

she was elected board vice-chair in 2000 and board chair in 2002.

Fritz went on to become the first woman elected to the board of Northwest Farm Credit Services, which oversees FCS operations in five states. She then became the first elected woman board member at CoBank and the first woman on the Farm Credit Council (FCC) board, Farm Credit's policy organization. She was elected vice-chair of the FCC board in 2011.

“If my husband had been in my position, and walked into some of those board rooms, no one would have questioned his ability the way some did with me,” Fritz recalls.

“For example, in the old days, candidates for the Northwest Farm Credit board would go from state to state, and each candidate would make a presentation before the ballots were mailed out. In Oregon, a nice elderly man who reminded me of my grandpa, sat me down, patted my hand and told me: ‘Honey, you did a really nice job, but this is a man's world.’ It was like spitting in your eye!” she recalls, although able to laugh at it now.

“With some guys on the board, it took a year or two for them to come around, but they usually did.”

Stepping up

Fritz's role at Farm Credit is part of a larger trend with an increasing number of women taking on leadership roles in agriculture. According to the most recent farm census,

women are the principal operators of more than 14 percent of the nation's farms, a 22 percent increase since 1997.

But those numbers don't reflect the fact that a typical U.S. family farm is run as a partnership by a farm couple, Fritz says. On her Quarter Circle JF Ranch, near Chester, Mont., Fritz is basically the business office manager for the operation. She shares marketing work with her husband and handles virtually all of the bookkeeping. She is also more than capable of hopping on a combine or tractor when the farming workload requires.

When a farm couple such as the Fritzes walks into a Farm Credit office to renew a loan, it is often the wife — in her role as bookkeeper — who provides most of the financial data, she notes. Serving on a Farm Credit board thus seemed to be a natural fit, once it was suggested to her.

"My husband, John, and I have always been partners, so I saw no reason not to give it a shot when it was suggested I run for the advisory board, although I never expected to win that first race," Fritz recalls. But she did, proving that, for everyone who thought a woman wasn't suited for the job, there were plenty of others who didn't see it as a problem.

It didn't hurt that the Fritzes are well regarded in their area for running an efficient farming and ranching operation and are strong supporters of their Farm Credit cooperative. The Fritz's main crops are hard red winter and spring wheat, malt barley, forage peas (mixed with barley, for use on their own farm) and dry peas that are processed in the area and exported, usually to India or Pakistan. They own an irrigated hay farm (currently being leased out) 150 miles away from the home farm and also raise all-natural Black Angus beef cattle.

"To get the all-natural label, we can't use any growth hormones or antibiotics," Fritz explains. "That's easy for us, because we get our growth through genetics. We have lots of space for calving, so we rarely get sick calves. If we do, and it needs treatment, we keep meticulous records and that animal will not be sold as all-natural."

The farm is in an area called the Golden Triangle of Montana that is well suited for growing high-protein red wheat without much need for inputs. "We do need some fertilizer and nitrogen, but because of the good soil conditions, you don't have to break the bank putting nitrogen on it."

The area is also well known for its malt barley production. "There are several companies in the area that buy it, so the competition is great," Fritz says.

Transportation costs and related issues are always a big economic factor for producers, but the Fritz farm is benefitting from two new 110-car shuttle loaders in the area.

Adding new perspective

After so many years serving on boards and running the farm with her husband, Fritz has concluded that there are subtle differences in the ways men and women typically go about decision-making and addressing a problem. That's a

good thing, she believes.

"I see many things differently than my husband does, and differently than do many of the guys on the board. When you have a combination of men and women on a board, I think you get a broader view — a 360-degree view of things." For example, she thinks women have a tendency to be more adept at reaching consensus and tend to be more careful listeners.

What personal traits have served her best as a co-op director? "We do a peer evaluation every year, and I am often described as a willing listener who strives to see all aspects of a situation — and as a person who looks for opportunities to find compromise. I've also been told I have good communications skills."

John Fritz isn't shy about doing his own, less scientific analysis of his wife. "He says I am way too analytical and a little on the conservative side — which I don't agree with, of course," she says with a laugh.

Fritz recently attended a Northwest Farm Credit meeting

"Serving on these boards has been such an enriching and educational process for me. I can't even put a value on it."

and was pleased to see that there were more women on local advisory boards than she had seen previously. "The numbers of women serving on co-op and association boards across the country seems to be increasing. At national meetings, I definitely see more lady members."

Co-ops — with their history of democratic governance and their role of "equalizer" in the marketplace — should be especially cognizant of the need to get more women active in leadership positions, Fritz feels. "Co-ops need to realize that women have a lot to offer. Many of them know their businesses inside and out, and they have just as much to offer on the board as their husbands do. We just have to break out of this traditional mindset that agriculture is a man's world."

Technology helpful for women farmers

Keeping abreast of all the evolving technology used on farm machinery can be a challenge, Fritz says. "Luckily, my husband is a tech nut." She "fought tooth and nail" with him when he wanted to get auto-steer on their new combine. "I was used to our old machine and being able to hear every little nuance of it." But when the new combine arrived with auto-steer, he said "'Come on and try it, you will like it.' And darned if I don't."

She enjoys driving combines and feels that a lot of the new technology makes it easier for women to do more hands-on farming. "For example, it used to be hard for me to unload grain because you had to manually haul a big auger into position; it was especially hard under hopper-bottom trailers. Now, everything is hydraulic; it moves itself.

“We have GPS guidance systems on the combines and tractors now for spraying and seeding. It is amazing, but everything has gotten bigger and more expensive. Up where we are [near the Canadian border with Montana], labor is difficult to come by. We do have hired help, but have to compensate with machinery.”

Merger puts demands on directors

The time commitment for serving on a co-op board is usually greater than anticipated, especially in the early years, Fritz says. “There is an education process you go through. You may have great business sense for your own operation, but when you get on a board like Northwest Farm Credit or CoBank, many businesses that you are dealing with are very different from your own.”

The last couple of years serving on the CoBank board has

involved an “exceptionally heavy workload” because of the recently completed merger with U.S. AgBank, she says. “That required a lot of director involvement, due to the stockholder issues and the need to monitor all the financials.”

Moving from the Northwest Farm Credit to the CoBank board was a big switch, she found. “There are similarities when moving from an association to a bank board, but also differences.” At both Northwest and CoBank, a director’s most important job, she says, is to hire skilled management and set policy for the CEO to carry out. “From a proper distance, you watch to see that policy is being carried out; but you don’t get your nose or fingers into running the business.”

The scope and scale of the two operations, however, is quite different. “Northwest is a regional association with a five-state footprint that delivers credit services to members. CoBank is its wholesale parent and also has a retail arm; it has a national footprint and even does some international business.”

One of the driving forces behind the merger with U.S. AgBank (also a producer-owned co-op), Fritz says, was a desire to spread the risk that comes from having a concentrated loan portfolio. With this merger, the bank has a more balanced portfolio consisting of roughly 50 percent wholesale business and 50 percent retail business, she notes. Adding California to CoBank’s trade area via the merger should be especially helpful in spreading risk both geographically and over a larger mix of commodities.

“I have no doubt that this will make for a stronger, more resilient bank,” she says.

Her CoBank term expires in 2015, and at this point, Fritz says she is leaning toward retiring from the board after that. “I wanted to see this merger through, which I’ve done; now I am leaning toward allowing someone with younger, fresher ideas to come on when my term expires.”

She hopes that more women will continue to pursue leadership roles in Farm Credit and the larger co-op world. Step forward, she urges women producers, if you think you have something to bring to the board room that can help your co-op.

Fear of failure probably prevents many good people, men and women, from running for co-op boards, she says. “They don’t want take a risk of failure. But the rewards far outweigh the risk of failure. Serving on these boards has been such an enriching and educational process for me. I can’t even put a value on it.

“I have learned so many things that increased my business skills — we’ve changed some of our business and farming practices as result of what I have learned doing this. I would strongly encourage any woman who thinks she can do the job to try it.” ■

Annie’s Project helps women farmers

Rose Holste has run a row crop and hay operation in Iowa with her husband since 1968. Even with decades of experience, she still wanted to learn more about the business side of farming. Several years ago, she found out about Annie’s Project, a national program designed to help women in agriculture.



“It was so worth the time,” Holste says. “The sessions were all well planned and presented and gave me a new perspective. We’ve definitely applied the

information to our lives and our operation.”

Annie’s Project (short for “Annie’s National Network Initiative for Educational Success”) is a six-week course that teaches risk-management, problem-solving, recordkeeping and decision-making skills. Classes are designed around specific regional needs and help participants develop local support networks.

Since its inception in 2009, Annie’s Project has served more than 6,500 women in 25 states. Farm Credit’s national sponsorship is helping to support Annie’s Project.

This program has something for every age group and every situation,” Holste says. “The group that attended with me was diversified, which made the discussions interesting. I felt that everyone who attended walked away with new knowledge.”

For more information, visit: www.extension.iastate.edu/annie/index.html. ■

— Courtesy Farm Credit System

Some like it hot



*Mary Alice Garay continues family tradition
of growing and processing chile peppers*

Mary Alice Garay and her three sons all play an active role in the family chile pepper processing and farming operation. Photo courtesy Garay family

By Dan Campbell, Editor



The chile pepper is not just a top crop in the Hatch Valley of southwest New Mexico, it is a key part of the regional culture. All things “chile” are even celebrated each autumn with a festival that attracts 30,000 people and media that has included the Food Network and the British Broadcasting Corporation.

While the region has ideal soil and climate conditions for growing top-quality chile peppers, acreage devoted to the crop has been declining in recent years, due in large part to soaring prices for cotton and alfalfa, resulting in an acreage shift away from peppers.

That’s meant even stronger demand, however, for the chile products processed by M.A. & Sons of Arrey, N.M., where not only are the food products spicy, but the business is also hot.

“We have well-established markets, and they are buying everything we can produce,” says Mary Alice Garay, the head of the family business and the “M.A.” of the company name.

The Garay family grows about 15 percent of the chile peppers it processes, contracting with about 14 other farmers for the rest of their crop needs.

“We have growers who we have worked with for many years, and we are loyal to each other. So we have not experienced a drop in our supply,” she says.

The “Sons” part of the company name refers to Frank, Randy and Patrick Garay, Mary Alice’s three sons, all whom are active in the business. “My dad had a small processing plant, and I was always involved in it,” Garay says. “When he retired, I took it over and my sons came into the business.”

Each family member has an area of specialty. Mary Alice does the bookwork and handles most financial aspects of running the family business. Patrick takes care of all the plant-related billing and helps in plant operations. Frank runs the field and farming operations. All of them also have their own farms.

Garay says it does seem as if more women are assuming leadership positions on farms and related businesses in New Mexico, which she thinks will continue to grow as more women become heads of farming households. She does not

feel she has encountered any resentment about being a woman on the board – which has perhaps been helped, in part, by the fact that at least one woman served on the board before her.

With her agri-business background, Garay didn't feel there was any reason she couldn't do the job of co-op director just as well as a man could. The gender of a director shouldn't be a factor, it should just be about whether they have the skills and commitment to the association, she feels.

A chile puree for purists

The Garay's flagship product is their New Mexico Homestyle Red Chile Puree. "We go an extra step beyond what most others do, taking out all the stems, skins and seeds. This avoids the bitter taste you can get with some chile purees. That is our edge," Garay explains.

M.A. & Sons market the puree in 14- and 56-ounce containers, as well as in three-gallon buckets. "There is a lot of potential for growing the size of our puree business," she says.

Whole chile pods are sold to wholesalers who re-pack and market them to the retail trade, where consumers buy them for their own sauces.

"The bulk of what we sell goes to big spice companies," Garay



A field of ripe chile peppers just prior to harvest and in crates at the M.A. & Sons processing facility. Facing page: Hatch, N.M., is known as the Chile Capital of the World and holds an annual festival to celebrate its favorite spicy vegetable. Racks of chile peppers being dehydrated. Photos courtesy Tom McConnell and Garay family

says. These companies further process the crushed chile they buy from M.A. & Sons. "We also produce paprikas that are used for food coloring and as a mild spice that is popular when sprinkled on deviled eggs and other dishes."

Some products are sold direct to the public at the plant. The company's annual sales average in the \$3 million to \$3.5 million range.

"In the past five or six years, we have also branched out into frozen enchilada sauce. Schools are our biggest customer there, but we also sell to major grocery chains."

Elected to Farm Credit board

Even with the long family tradition in the business, securing

loans from commercial banks for farming and agricultural operations isn't always easy, Garay says. So she is thankful for the presence of Ag New Mexico, a Farm Credit System association co-op whose sole mission is to serve the credit needs of producer-members like her. "Dealing with Farm Credit has certainly made my life a lot easier," she says.

When her loan officer asked Garay to consider running for the Ag New Mexico board about three years ago, she agreed to toss her hat in the ring. Garay's extensive knowledge of vegetable farming, processing and marketing

“I want to help preserve financial co-ops like Farm Credit so that they will be there to continue to make loans to producers — not only of my generation, but my sons’ generation, and to their children.”

made her well qualified, according to Warren Russell, her Ag New Mexico lender.

Russell says the family’s products are worth standing behind. As a consumer, he says he knows their products are unrivaled. “As their loan officer, I know that for these reasons their growth potential is huge.”

Any possible feelings that a woman might not be up for the job of co-op director were more than offset by the respect she has earned among other producers, who elected Garay to the board in 2009.

Part of her motivation in running was to give back to a financial cooperative that has meant so much to her operation, Garay says. “I want to help preserve financial co-ops like Farm Credit so that they will be there to continue to make loans to producers — not only of my generation, but my sons’ generation, and to their children.”

The association’s board is strong because the directors each have their own unique skill set. “We all have different backgrounds and areas of expertise. I am a vegetable farmer; others are ranchers or grain growers and so forth. The more perspectives you get on a board, the better.”

It does take dedication to serve on a co-op board when your own business is so demanding, she continues. “I am six hours away from Clovis, where our board meetings are held. Luckily it is a very peaceful drive — there is not a lot of traffic.”

Now in the third year of her term, Garay says she has enjoyed the experience enough to run again at the end of this year. “I have learned a lot, and we’ve been able to get the organization back on a solid footing after going through a rough time.”

The downturn in the dairy industry a few years ago resulted in some challenging loans for the association and

caused much concern for its future. With a lot of hard work and dedication, the staff and board turned the situation around, and the association is now strong.

Automating with high-tech sorter

The chile processing plant is a seasonal operation, usually running four to five months each year. The peak seasonal workforce is about 80 to 90, with about 14 year-round workers.

But labor needs should soon be about cut in half, thanks to the recent purchase of a mechanical sorter, which the family hopes to have installed this spring. This machine uses electric-eye technology to do much of the laborious sorting work currently done by hand.

“We are very hopeful we will increase production with less labor while getting better quality,” Garay says. “The machine won’t get tired in the afternoon like the hand sorters do.”

But the machine is not cheap, costing in the \$350,000 range. Farm Credit is supplying the financing.

Once sorted, chile peppers have to be dried. This is done by loading the peppers onto flat racks which are, in turn, loaded onto rolling carts placed inside wind tunnels. Natural gas heats the air, which blowers circulate all around

the racks of peppers. In a continuous cycle, racks of dehydrated chile peppers are rolled out and replaced with racks of fresh peppers.

Even though Garay has greatly expanded the dehydrating capacity of the plant in the years she has been at the helm — expanding from 3 to 16 wind tunnels — demand is such that “we are at our capacity for dehydrating now.”

For future expansion, Garay says she won’t have to look far to find a lender who understands the needs of farmers. It’s her own co-op. ■





From workers to owners

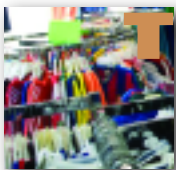
LEDC helps Latino immigrants launch wide variety of businesses in Minnesota



Cooperative Mercado Central is a thriving Latin American marketplace of some 45 businesses in Minneapolis. It includes restaurants, apparel shops and personal services, among others. Pictured here are: Dona Enriqueta Cruz (second photo from top) in the La Reina de los Jugos (Queen of Juices) snack shop and Alfonso Zendejas in the Deportes Azteca sports apparel shop. Marisela Onofre shoulders a load of breads and pastries on a busy day at Panaderia El Mexicano. Photos courtesy Mercado Central

By Anne Todd, Contributing Editor

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The Latino Economic Development Center (LEDC) is a cooperative of Hispanic immigrant business owners that has created an authentic Latin American marketplace in Minneapolis, Minn. The co-op emerged from a small immigrant Latino church congregation in 1994 in south Minneapolis. That congregation, Sagrado Corazón de Jesus (Sacred Heart of Jesus), took on a social action dimension in addition to its spiritual one. These recent Mexican immigrants worked in teams on educational, legal and economic issues, overcoming many barriers to reach their goals.

Over time, the group realized that economic progress was essential to strengthen their community. LEDC was incorporated in 2003, with assistance from several local business development organizations. It then began working to improve technical and leadership skills, which in turn led to projects that are now known as the Cooperative Mercado Central, Plaza Latina and Global Market.

Mercado Central is a marketplace of 45 businesses at the corner of Lake Street and Bloomington Ave. in Minneapolis. The owners of this group of businesses are the ones who expanded their horizons through creation of LEDC.

The Global Market is housed in the former Sears building, a key property on East Lake Street. An \$18 million project, Global Market opened in 2006. It was spearheaded by LEDC, along with the help of other local and community development centers. About one-third of the Global Market's tenants are startups, coming from graduates of training classes offered by LEDC and other neighborhood partners. About half the vendors are "second level" entrepreneurs, who have three to five years of experience in business.

Plaza Latina opened in 2001, before LEDC was incorporated. Plaza Latina was established on Payne Avenue by members of the Mercado Central development team, collaborating with the East Side Neighborhood Development Center.

It is a smaller version of the Mercado Central, with 10 tenants. These businesses, along with several others that opened between 2000 and 2002, were the initial Latino businesses to open on the east side of St.

Paul, Minn., leading to the development of about 50 new businesses in the area.

LEDC's goals are to establish, stabilize and expand businesses through orientations, classes, development consulting, technical assistance and by providing access to capital for new and existing entrepreneurs. It also strives to revitalize or develop community public markets and commercial corridors in the Twin Cities and rural Minnesota that allow for Latino businesses to fully participate in the business community. It works to create a process and structure through which the Latino business community may access other institutions (such as banks, foundations and elected officials) and to create a membership base that actively shapes the agenda of LEDC.

Rural Cooperatives interviewed Yolanda Cotterall, Greater Minnesota rural program manager for the Latino Economic Development Center, to learn more about LEDC's work.

Q: How important has the co-op business structure been to the long-lasting success of businesses affiliated with LEDC? What do you consider to be the greatest strength and weakness of the co-op business model?

Yolanda Cotterall: LEDC has a long history of business development in the Twin Cities as well as in rural regions of Minnesota. Our first co-op development project, the Mercado Central, was a success in many ways. The co-op model in this instance was critical to bringing a large group of aspiring entrepreneurs together, making decisions, accessing funding and accomplishing a complex development project with a variety of partner collaborators. I think the greatest strength and weakness is the shared governance and collaboration needed to pull off the birth of the co-op.

Q: Do you plan any major new projects or initiatives for LEDC in 2012?

Cotterall: We have a number of projects that we are involved in and which will evolve within the next year:

- We are expanding pro-bono legal services to rural communities;
- A staff member and an emerging "leader" client, who resides in one of the rural regions where we believe a producer co-op will begin, are attending training together through Land Stewardship's "Beginner Farmer Training" program as a starting place for the co-op;
- We are collaborating with partners — a local agency and the Association for Latinas in Action (ALA) — to expand opportunities in Willmar, Minn., where there is a commercial kitchen incubator program. We are helping to

provide Spanish-language technical assistance and training for a food managers certification class and for food business operations, including QuickBooks training. Another project in Willmar involves a client who is seeking assistance to develop his existing property to accommodate a privately owned public market;

- We are collaborating with the Minnesota Department of Agriculture and other important stakeholders to coordinate existing resources to respond to the needs of immigrant farmers;
- We are in the exploration and organization phase of efforts to help birth our first worker-owned co-op. We've had an initial exploratory meeting with a retiring wholesaler of landscaping plant materials who employs about 28 folks. There is solid interest from the owner and the workers to develop a plan and identify funding so that the employees can buy and operate the business when the owner retires;
- In collaboration with Centro Campesino in Austin, Minn., we are working to establish a public market that will create opportunities for approximately 25 Latino-owned businesses. Centro owns the building but has little experience with economic development or cooperative projects. We will provide technical assistance in fundraising for the project as well as guidance to aspiring entrepreneurs who wish to participate in a cooperative public market project, such as we did with the Mercado Central project in Minneapolis.

Q: How many member businesses does LEDC have? How do you handle communications with members?

Cotterall: LEDC has approximately 350 member businesses with about 225 at what we would consider active at some level. Of these, about 20 percent are actively in the process of start-up or involved with expansion activities which require technical assistance or loans; the other 80 percent are availing themselves of membership benefits, such as ongoing technical assistance and guidance as they navigate learning to operate and manage their businesses.



The Latino Economic Development Center has a solid track record of business development in the Twin Cities area (including Mercado Central, pictured here) and in rural parts of the state. In the bottom photo (facing page), Dorain Olade styles the hair of Claudia Jimenez, owner of the Electra Beauty Salon. Photos courtesy Mercado Central



Q: Is LEDC planning to help members expand into new markets in 2012?

Cotterall: LEDC's rural team, through funding from USDA's Rural Cooperative Development Grant program, is working on development of agricultural opportunities. We understand that producers involved in small production have a critical need for improved access to markets. Our work will seek to accomplish this improved access via building cooperative institutional and wholesale buyers groups and a cooperative retail operation.

Q: Tell us about how LEDC is helping Latinos in Minnesota address barriers, such as language, and to learn to use new technologies to improve their business prospects.

Cotterall: We have come to understand that simply speaking Spanish is not what has developed relationships with the folks who seek us out for support and guidance as they develop their business concept. Our work begins with establishing communication that is directed by our clients and will respond to and take advantage of their strengths. As we begin the journey with them, we help to identify the resources that will improve their chances of success. Advocacy, training for acquiring information and increasing their technology skills are some of the opportunities we find important to them.

LEDC's "Practical Guide to Business Start Up" is an

eight-week course to introduce development of clients' business plans, as well as development of their first financial projections and financial goals. We also offer a class in business recordkeeping that provides, in many cases, their first introduction to the concept of keeping important financial information...and information on filing taxes, understanding the health of their cash-flow situation, and determining if they are making money.

We offer QuickBooks training for those who are ready to take that step in their business. We are also offering training so immigrants can gain knowledge about co-ops — what they are, how they are structured, what the benefits are and the initial first steps in trying to organize a co-op.

Q: How has LEDC used funds it received from USDA Rural Development?

Cotterall: Last year was the first year that LEDC was a recipient of USDA Rural



Cooperative Development Grant funding. This funding was extremely essential as we sought to explore opportunities for immigrant Latino and Hmong rural agricultural entrepreneurs. The funding provided the resources to lay the groundwork and explore agricultural opportunities for immigrants.

In 2007, LEDC assigned a full-time staff person to our rural work and we carried the economic development strategies we used in our successful Twin Cities development efforts to out-of-state development efforts. We gained recognition from immigrants who sought us out as virtually the only resource for economic development available to

them that understood their barriers, spoke their language and brought solutions. In 2009, we began to understand the tremendous opportunities that also existed for Latinos who had experience in agriculture.

Latinos in Minnesota have been an important labor force in the industry. It was a natural conclusion that Latino immigrants could participate not just as workers, but also as grower- and meat-producing entrepreneurs.

Today, we have identified over 40 immigrant (Latino and Hmong) agricultural entrepreneurs in four geographic regions who want to participate in the program offerings we have been able to envision and develop. These offerings are not ours alone; we have sought information and training through other organizations, such as the Land Stewardship Project, CooperationWorks!, Centro Campesino, the Willmar Multicultural Business Center, Minnesota Department of Agriculture and the University of Minnesota, to name a few.

However, we are leaders in the development of strategies and programming that have opened doors for immigrants to be able to become contributors to the economic engine of our state. We are the glue that makes it possible for the resource they represent to be incorporated in positive and potentially profitable endeavors. The mission of LEDC is "To transform our community by creating economic opportunity for Latinos."

Q: How much overall impact do LEDC member businesses have on the local economy?

Cotterall: Over the last 14 years, LEDC has been involved in the development of economic opportunities for Latino immigrants. Our organization is actually only eight years old (we received our nonprofit designation in 2003). But our vision and mission began before that, in 1996, when the dream of a few aspiring entrepreneurs led us to identify and bring the resources that would eventually open the Mercado Central. There were many who understood the importance of this dream and they brought support and resources so that the opening of the Mercado was achieved in 1999.

From that time to the present, there has been much written about the success of the project and the positive economic impact it has had on the Twin Cities community. We have seen revitalization of at least four commercial corridors and the creation of economic prosperity for many aspiring Latino entrepreneurs. Well over 1,000 jobs have been created. Not all of these jobs can be attributed to LEDC members, but LEDC members and the Mercado Central project showed the way and provided hope that Latino immigrants could open businesses in the United States.

As a result, Latino families have experienced economic empowerment, which in turn has created educational opportunities for their children, made home ownership possible and has spurred civic involvement. These are just

some of the very visible results that LEDC members have been able to effect in not just the Twin Cities, but also in rural Minnesota. ■

Business owner benefited from LEDC

Enrique Garcia, owner of La Loma Tamales at Mercado Central in Minneapolis, is one of the Latino Economic Development Center's (LEDC) members and serves on its board of directors.

Q: How far back with LEDC does your business go, and what do you like best about belonging to LEDC?

Enrique Garcia: My wife, Noelia, and I are the owners of La Loma Tamales [a Mexican food restaurant, catering business and wholesale foods business] in Minneapolis. Our involvement with LEDC goes all the way back to the beginning of our business in 1999. Actually, if it wasn't for LEDC, we would not be in business. The process of start-up began for us in 1998. We got one of the last slots for participation in the development of the Mercado Central project.

What was great about the opportunity was that the folks involved in the project understood the various barriers we faced in being able to start a business. We have had tremendous success and today have gross sales of almost \$3 million annually and employ 35 full-time employees. Our business is an important part of the Latino community and this makes us very proud.

Q: Has your business been impacted by the recession? If so, how has LEDC helped you in this down economy?

Garcia: We must give credit to LEDC's efforts in teaching us to build a strong business. This support has been critical for us; and because of it, we had strategies in place to be able to withstand the difficult times that most others have been experiencing. LEDC's advice enabled us to understand sales data and maintain an eye on the factors impacting our ability to make a profit. We have experienced an approximate 10-percent drop in sales, but we saw it coming and were ready to make the necessary adjustments. Fortunately, we did not have to lay off any employees.



Q: How do you participate in LEDC activities? Do you sit on any committees, or go to meetings?

Garcia: As a board member, I am very involved with LEDC and its programs. I have learned a lot about the operation and importance of nonprofit organizations. I am also very proud to say that I am one of the founding members of the Latino Scholarship Fund that provides money for Latino youth who might not be able to attend higher education if not for the opportunity to get a scholarship. I am active in my community in many other ways because of what I have learned through my participation and connections via LEDC.

Q: Are you satisfied with the communications you get from LEDC, and that your voice is heard on important issues?

Garcia: Yes, I feel that all of my opinions are heard and have good communication with the organization and other members.

Q: What are your plans for the future of your business?

Garcia: We have been working with LEDC to open our fourth retail store. A very important next step for us is to get our FDA [Food and Drug Administration] license so that we can enter markets nationally.

To learn more about the activities of the Latino Economic Development Center, visit www.ledc-mn.org, e-mail info@ledc-mn.org, or call (612) 724-5332. ■

Utility Co-op Connection

Virginia co-op's biomass project creating jobs, along with renewable energy

By Anne Mayberry

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USDA Rural Development

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A biomass generation project currently under construction by the Northern Virginia Electric Cooperative

(NOVEC) in Halifax County will not only increase the use of renewable energy to provide electricity, but it is expected to create several hundred jobs in a portion of the state grappling with high unemployment. NOVEC Energy Production, Halifax County Biomass is expected to generate up to 6.5 percent of the cooperative's electrical output by 2014, enough to meet the needs of about 16,000 residential customers.

"Investment in infrastructure is an investment in American workers," says Jonathan Adelstein, administrator of the Rural Utilities Program of USDA Rural Development, which helped finance the plant. "This project shows how financing utility projects pays off, both now and in the future."

Plant to generate 50 megawatts

The NOVEC biomass project, on the site of a former Georgia-Pacific manufacturing facility, will burn waste wood to generate nearly 50 megawatts of electricity. The waste will come from regional logging operations and the forest products industry near South Boston in Halifax County, along Virginia's North Carolina border.

Halifax County reached its peak



An artist's depiction of a new biomass power facility being developed by the Northern Virginia Electric Cooperative.

population of more than 41,000 in 1950. Today's population of just over 36,000 is about the same as it was in 1900.

Stan Feuerberg, NOVEC president and CEO, says the construction has already brought more than 100 jobs to the economically hard-hit region. He estimates that the project will bring 250 construction jobs to the Southside Virginia area during a two-year period. Once the system becomes commercially operable, the plant will require about 26 permanent jobs and 40 indirect jobs in forestry, logging and transportation.

"We expect to see an increasing number of indirect jobs harvesting waste wood," Feuerberg said. "As much as 30 percent of the tree is left after it is used for construction or furniture. Harvesting, chipping and trucking industries will likely grow."

The biomass plant will be cooled with "grey" water from a nearby wastewater treatment facility to help conserve the amount of potable water needed for plant operations. Biomass —

such as agriculture and forest residues, energy crops and algae — are considered renewable energy sources.

According to data from the U.S. Department of Energy's Energy Information Administration, over one-half of renewable energy consumed in the United States in 2007 was generated by biomass. Many rural electric cooperative utilities use a variety of fuel sources to provide electric power. This diversity helps maintain a reliable and affordable electric supply by utilizing regional resources.

"This project is a win-win for all parties," says Feuerberg. "It will provide NOVEC with a renewable source of electricity and increase logging and trucking jobs for residents. Furthermore, it will improve the tax base for the community."

Carbon-neutral plant

There is an abundance of wood waste within a 75-mile radius of the

continued on page 43

Largest **100** ag co-ops post near-record sales, margins

A summary of the Top 100 ag co-op sales for 2010 shows that:

- The No. 1 ranked co-op had sales of \$25 billion.
- The 100th ranked co-op had sales of \$276 million.
- Sales of more than \$1 billion were reported by 23 co-ops.
- Sales of \$506 million to \$1 billion were reported by 47 co-ops.
- Sales of \$276 million to \$500 million were reported by 30 co-ops.

By Sarah Ali and David Chesnick

Editor's note: The authors are agricultural economists with USDA Rural Development, Cooperative Programs. This marks the first time that USDA has included the actual list of the top 100 ag co-ops (table 1). Eight co-ops requested that they not be included on the list by name. These co-ops ranked 37, 38, 48, 70, 76, 86, 92 and 100.



The nation's 100 largest agriculture cooperatives reported near-record revenue of \$118 billion in 2010, an increase of 4 percent over 2009, when revenue totaled \$114. Net income for the 100 top co-ops also increased in 2010, reaching \$2.39 billion, up from \$2.16 billion in 2009.

Leading the revenue increase were dairy cooperatives, which saw 2010 revenue climb more than 14.5 percent from the previous year, to \$29.45 billion. Dairy cooperatives accounted for more than half of the revenue increase recorded by the top 100 ag co-ops in 2010. However, nearly half of the top 100 cooperatives (47 percent) had lower revenue in 2010 compared to the prior year.

Gross margins, as a percent of total sales, were up slightly, from 9 percent to 9.2 percent. The increase in gross margins partially covered higher expenses. Gross margins plus service

Figure 1—Total Business Volume, Top 100 Ag Co-ops

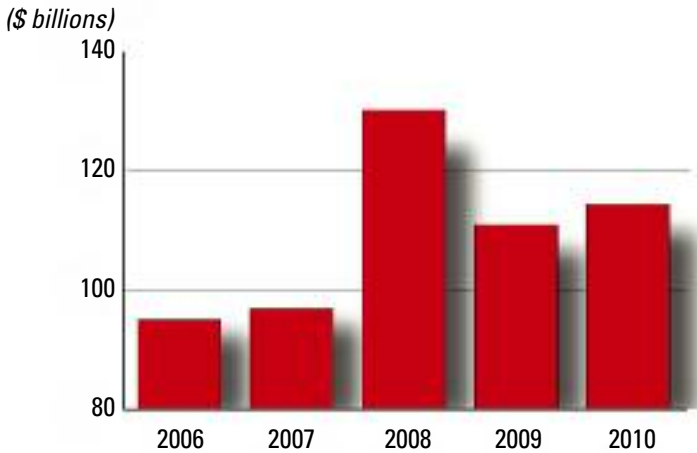
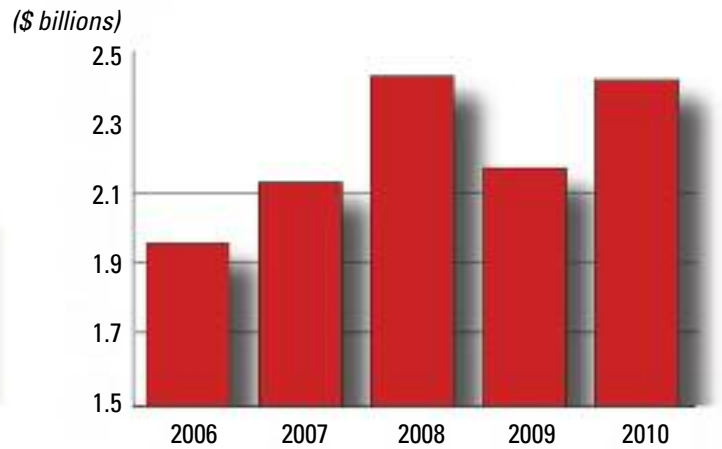


Figure 2—Net Income, Top 100 Ag Co-ops



revenue climbed to \$684 million.

Total expenses for the top 100 ag co-ops were up \$575 million in 2010. The largest cost increase was for labor, where expenses climbed by 7 percent, to \$4.6 billion. On the other hand, lower interest rates and less debt caused interest expense to drop 11 percent.

Net margin, as a percent of total sales, was up slightly, from 2 percent in 2009 to 2.1 percent in 2010. Net margins for the largest 100 ag cooperatives were \$2.3 billion. The largest increase in net margins occurred among mixed cooperatives. As a group, these co-ops saw net margins increase \$223 million. Dairy and farm supply cooperatives had lower net margins in 2010, with a combined decrease of \$102 million.

The asset base for the top 100 grew by \$2.3 billion between 2009 and 2010. Current assets accounted for nearly two-thirds of that increase. Fixed assets also showed an increase of \$600 million. Current liabilities increased by more than \$1 billion for the largest 100 ag co-ops. However, they used less long-term debt, which declined by \$143 million. Total liabilities thus increased by \$871 million.

Equity allocated to members jumped 10 percent in 2010, to nearly \$11 billion. Retained earnings also showed a substantial increase of 12 percent, ending the year at \$386 million. Throughout the recession, cooperatives have relied more heavily on member

financing than borrowed funding.

About the tables and figures

In table 1, the rank, name, revenue and assets are given for the nation's largest agricultural cooperatives. Comparing 2010 to 2009 shows that the first six cooperatives ranked in the same order both years. The rest of the list reflects many changes in rankings between the two years.

Information for the largest cooperatives has been segmented into seven functional areas as defined in table 2 (see page 23). The functional areas (and the number of cooperatives in each segment) are: supply co-ops (13); mixed co-ops (24); grain co-ops (16); dairy co-ops (23); sugar co-ops (6); fruit and vegetable co-ops (10); and

other marketing co-ops (8).

Historical comparison

Comparing total gross business volume of the same 100 cooperatives from 2006 to 2010 shows that there was a small increase from 2006 to 2007. The record year for business volume was 2008, when higher energy costs and large increases in the price of grains and oilseeds boosted the total.

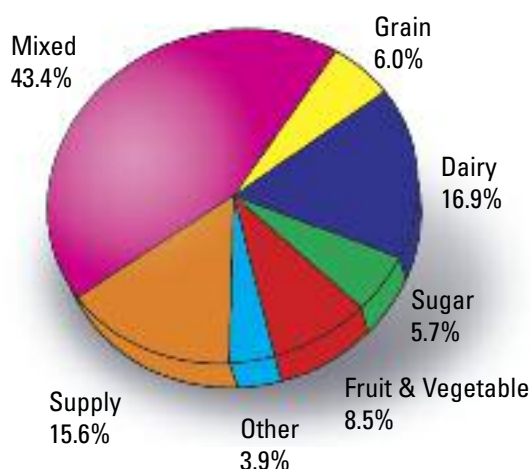
Total gross business volume fell dramatically, by 15.02 percent, between 2008 and 2009. Increases in gross business volume of \$100 million or more from 2009 to 2010 were achieved by 17 cooperatives as illustrated in Figure 1.

Patronage income (income from other cooperatives) decreased by \$41

Figure 3—Revenue of Cooperatives by Function, 2010



Figure 4—Assets of Cooperatives by Function, 2010



million in 2010, or 26.3 percent. Net income (after taxes) grew almost 12 percent, or \$249 million. Net income after taxes for these same 100 cooperatives grew from \$1.95 billion in 2006 to \$2.4 billion in 2010, trailing only the 2008 record of \$2.42 billion (figure 2).

Figure 3 shows that mixed cooperatives account for 40 percent of the revenue of the top 100 while comprising only 24 percent of the number of cooperatives on the list (the largest group). The mixed-marketing group also accounted for 40 percent of the revenue and 43 percent of the assets of the top 100 ag co-ops.

Dairy (23 cooperatives) accounted for 25 percent of the revenue and 17 percent of the assets (figure 4).

The two charts in figure 5, show changes in the size of the functional groups between 2001 and 2010. Mixed

Figure 5—Distribution of Cooperative by Function for Top 100, 2001 and 2010

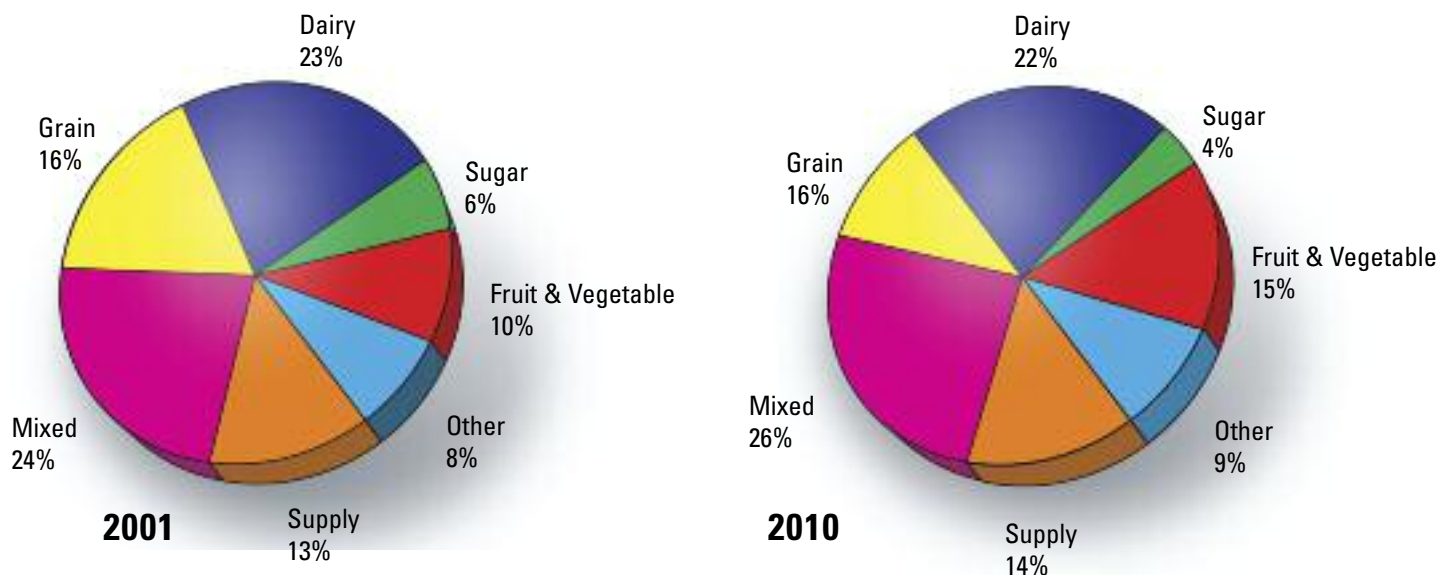
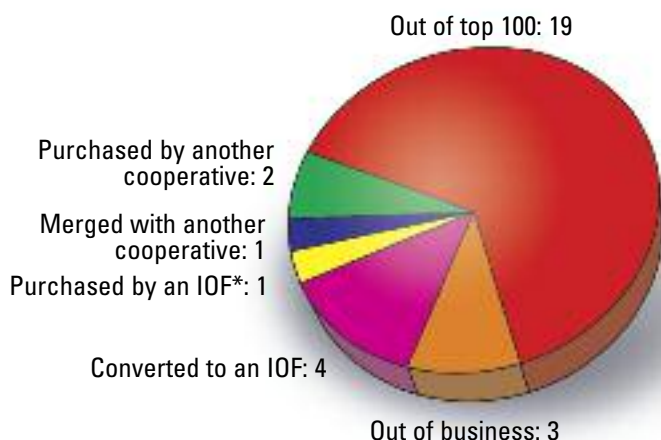


Figure 6—Reason No Longer In Top 100, 2001 vs. 2010 Rankings



cooperatives were also the most numerous (26 percent) in 2010. The number of co-ops in each functional group shows only small fluctuations during the 10-year period, the exception being for fruit and vegetable cooperatives, which declined from 15 co-ops in 2001 to 10 co-ops in 2010.

Thirty cooperatives that were in the top 100 in 2001 fell off the 2010 list, for various reasons (figure 6). The biggest reason is that 19 co-ops simply didn't have the revenue needed to make the list in 2010. Of those 19 co-ops, 11 still ranked fairly high, from 101 to 130, in 2010. Three of the 19 went out of business in the interim; each had been highly ranked in 2001 (1, 12, and 13). Another five of these 19 co-ops were purchased by, or converted to, an investor-oriented firm. The remaining three cooperatives were purchased by or merged with another cooperative. ■

*IOF = Investor owned firm.

Table 1—100 Largest Agriculture Cooperatives, 2010

Note: Co-op names and data withheld, by request, for co-ops ranking: 37, 38, 48, 70, 76, 86, 92 and 100.

2010 RANK	2009 RANK	NAME	TYPE	2010 REVENUE	2009 REVENUE	2010 ASSETS	2009 ASSETS
<i>\$ millions</i>							
1	1	CHS Inc., Saint Paul, Minn.	Mixed (Energy, Supply, Food, Grain)	25,315	25,749	8,666	7,870
2	2	Land O'Lakes Inc., Saint Paul, Minn.	Mixed (Supply, Dairy, Food)	11,146	10,409	4,885	4,924
3	3	Dairy Farmers of America, Kansas City, Mo.	Dairy	9,872	8,149	2,165	2,198
4	4	GROWMARK Inc., Bloomington, Ill.	Supply	6,132	6,092	1,876	1,837
5	5	Ag Processing Inc., Omaha, Neb.	Supply	3,302	3,402	1,187	1,084
6	6	California Dairies Inc., Artesia, Calif.	Dairy	2,987	2,405	678	676
7	11	Associated Milk Producers Inc., New Ulm, Minn.	Dairy	1,709	1,383	288	300
8	7	United Sugars Corporation, Bloomington, Minn.	Sugar	1,700	2,200	131	144
9	9	Southern States Cooperative Inc., Richmond, Va.	Supply	1,695	1,890	500	477
10	8	Northwest Dairy Association, Seattle, Wash.	Dairy	1,650	1,998	496	489
11	10	Ocean Spray Cranberries Inc., Lakeville-Middleboro, Mass.	Fruit & Vegetable	1,582	1,538	1,201	1,168
12	12	Prairie Farms Dairy Inc., Carlinville, Ill.	Dairy	1,518	1,371	684	670
13	13	United Suppliers Inc., Eldora, Iowa	Supply	1,387	1,352	662	526
14	18	Foremost Farms USA, Cooperative, Baraboo, Wis.	Dairy	1,374	1,146	398	305
15	25	Maryland & Virginia Milk Producers Co-op Association, Reston, Va.	Dairy	1,221	867	158	157
16	20	United Producers Inc., Columbus, Ohio	Other (Livestock)	1,204	1,001	38	33
17	17	American Crystal Sugar Company, Moorhead, Minn.	Sugar	1,197	1,196	788	761
18	14	Riceland Foods Inc., Stuttgart, Ark.	Other (Rice)	1,132	1,270	480	560
19	24	Countrysmark Cooperative Inc., Indianapolis, Ind.	Supply	1,130	870	417	399
20	16	Dairylea Cooperative Inc., Syracuse, N.Y.	Dairy	1,068	1,203	156	139

Table 1—100 Largest Agriculture Cooperatives, 2010

Note: Co-op names and data withheld, by request, for co-ops ranking: 37, 38, 48, 70, 76, 86, 92 and 100.

2010 RANK	2009 RANK	NAME	TYPE	2010 REVENUE	2009 REVENUE	2010 ASSETS	2009 ASSETS
<i>\$ millions</i>							
21	19	MFA Incorporated, Columbia, Mo.	Mixed (Supply, Grain)	1,051	1,050	358	381
22	23	MFA Oil Company, Columbia, Mo.	Supply	1,047	937	338	296
23	15	South Dakota Wheat Growers Assoc., Aberdeen, S.D.	Mixed (Grain, Supply)	1,047	1,210	473	440
24	27	Sunkist Growers Inc., Sherman Oaks, Calif.	Fruit & Vegetable	1,013	860	190	215
25	30	Plains Cotton Cooperative Association, Lubbock, Texas	Other (Cotton)	1,008	765	187	188
26	31	Producers Livestock Marketing Association, Omaha, Neb.	Other (Livestock)	908	724	122	73
27	22	Farmers Cooperative Company, Ames, Iowa	Mixed (Grain, Supply)	842	963	330	299
28	38	Snake River Sugar Company, Boise, Idaho	Sugar	827	661	673	640
29	28	Southeast Milk Inc., Belleview, Fla.	Dairy	794	809	105	107
30	39	Agri-Mark Inc., Methuen, Mass.	Dairy	782	657	268	245
31	33	Blue Diamond Growers, Sacramento, Calif.	Other (Nut)	775	709	276	258
32	26	Co-Alliance, LLP, Avon, Ind.	Supply	767	862	255	236
33	34	Select Milk Producers Inc., Artesia, N.M.	Dairy	727	704	91	82
34	21	Heartland Co-op, West Des Moines, Iowa	Grain	710	987	199	235
35	45	Michigan Milk Producers Association, Novi, Mch.	Dairy	699	557	161	96
36	50	Lone Star Milk Producers, Windthorst, Texas	Dairy	688	520	64	62
39	59	Cooperative Producers, Inc, Hastings, Neb.	Grain	643	448	241	252
40	48	Cooperative Regions of Organic Producer Pools (CROPP), La Farge, Wis.	Dairy	620	523	160	121
41	51	Upstate Niagara Cooperative Inc., Buffalo, N.Y.	Dairy	619	519	203	191

Table 1—100 Largest Agriculture Cooperatives, 2010

Note: Co-op names and data withheld, by request, for co-ops ranking: 37, 38, 48, 70, 76, 86, 92 and 100.

2010 RANK	2009 RANK	NAME	TYPE	2010 REVENUE	2009 REVENUE	2010 ASSETS	2009 ASSETS
<i>\$ millions</i>							
42	47	United Dairymen of Arizona, Tempe, Az.	Dairy	615	537	110	90
43	35	Aurora Cooperative Elevator Company, Aurora, Neb.	Mixed (Grain, Supply)	614	686	325	251
44	40	Innovative Ag Services Co., Monticello, Iowa	Grain	610	623	117	82
45	32	Farmers Cooperative, Dorchester, Neb.	Mixed (Grain, Supply)	602	719	192	150
46	43	Tennessee Farmers Cooperative, La Vergne, Tenn.	Supply	581	569	211	183
47	42	Citrus World Inc. (Florida Natural Growers), Lake Wales, Fla.	Fruit & Vegetable	577	572	296	284
49	37	West Central Cooperative, Ralston, Iowa	Mixed (Grain, Supply)	520	663	250	211
50	57	Pacific Coast Producers, Lodi, Calif.	Fruit & Vegetable	516	471	301	258
51	86	Trupointe Cooperative, Piqua, Ohio	Mixed (Grain, Supply)	512	295	168	82
52	64	Equity Cooperative Livestock Sales Association, Baraboo, Wis.	Other (Livestock)	510	412	29	23
53	49	Central Valley Ag Cooperative, O'Neill, Neb.	Mixed (Supply, Grain)	506	520	167	150
54	41	NEW Cooperative Inc., Fort Dodge, Iowa	Grain	498	615	173	169
55	56	NFO Inc., Ames, Iowa	Dairy	492	474	32	29
56	52	Producers Rice Mill Inc., Stuttgart, Ark.	Other (Rice)	479	511	172	176
57	54	United Farmers Cooperative, York, Neb.	Grain	450	506	156	157
58	61	Michigan Sugar Company, Bay City, Mich.	Sugar	448	438	255	266
59	92	Heritage Cooperative Inc., W. Mansfield, Ohio	Grain	443	251	114	131
60	97	North Central Farmers Elevator, Ipswich, S.D.	Mixed (Grain, Supply)	442	228	137	139
61	68	Southern Minnesota Beet Sugar Cooperative, Renville, Minn.	Sugar	440	374	319	276

Table 1—100 Largest Agriculture Cooperatives, 2010

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2010 RANK	2009 RANK	NAME	TYPE	2010 REVENUE	2009 REVENUE	2010 ASSETS	2009 REVENUE
<i>\$ millions</i>							
62	72	Sunrise Cooperative Inc., Fremont, Ohio	Mixed (Grain, Supply)	432	341	151	103
63	66	Tillamook County Creamery Assoc., Tillamook, Ore.	Dairy	426	386	264	242
64	46	Frenchman Valley Farmers Cooperative Inc., Imperial, Neb.	Mixed (Supply, Grain)	419	545	153	161
65	65	Alabama Farmers Cooperative Inc., Decatur, Ala.	Grain	415	401	198	200
66	100	Farmway Co-op Inc., Beloit, Kan.	Supply	412	125	134	69
67	73	First District Association, Litchfield, Minn.	Dairy	391	327	87	71
68	53	Watonwan Farm Service Company, Truman, Minn.	Mixed (Grain, Supply)	388	506	92	109
69	69	Tree Top Inc., Selah, Wash.	Fruit & Vegetable	365	359	277	292
71	55	Meadowland Farmers Cooperative, Lamberton, Minn.	Mixed (Grain, Supply)	357	504	129	121
72	58	Mid-Kansas Cooperative Assoc. Moundridge, Kan.	Grain	356	469	154	125
73	96	Key Cooperative, Roland, Iowa	Mixed (Supply, Grain)	350	231	110	57
74	60	Swiss Valley Farms Cooperative, Davenport, Iowa	Dairy	347	441	115	106
75	67	River Valley Cooperative, Eldridge, Iowa	Mixed (Grain, Supply)	346	384	84	103
77	71	Western Consolidated Cooperatives, Holloway, Minn.	Mixed (Grain, Supply)	343	344	201	175
78	75	Harvest Land Co-op, Richmond, Ind.	Mixed (Supply, Grain)	342	322	134	146
79	94	Ray-Carroll County Grain Growers Inc., Richmond, Mo.	Grain	332	243	90	67
80	78	Sun-Maid Growers of California, Kingsburg, Calif.	Fruit & Vegetable	323	310	168	175
81	89	Sunsweet Growers Inc., Yuba City, Calif.	Fruit & Vegetable	315	293	195	174
82	70	Westland Co-op Inc., Crawfordsville, Ind.	Supply	314	353	121	130
83	99	Premier Cooperative Inc., Champaign, Ill.	Grain	308	137	99	31

Table 1—100 Largest Agriculture Cooperatives, 2010

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2010 RANK	2009 RANK	NAME	TYPE	2010 REVENUE	2009 REVENUE	2010 ASSETS	2009 ASSETS
<i>\$ millions</i>							
84	79	Frontier Ag, Inc., Oakley, Kan.	Grain	300	309	123	106
85	85	Landmark Services Cooperative, Cottage Grove, Wis.	Mixed (Supply, Grain)	295	295	155	113
87	80	Universal Cooperatives Inc., Eagan, Minn.	Supply	293	308	129	134
88	98	Saint Albans Cooperative Creamery Inc., Saint Albans, Vt.	Dairy	293	215	31	24
89	81	Pro Cooperative, Pocahontas, Iowa	Mixed (Grain, Supply)	289	303	91	91
90	63	Ag Valley Cooperative Non-Stock, Edison, Neb.	Grain	289	416	126	115
91	77	Prairie Land Cooperative, Hubbard, Iowa	Grain	289	315	134	94
93	83	The Garden City Co-op Inc., Garden City, Kan.	Mixed (Grain, Supply)	285	302	103	76
94	93	Security Milk Producers Association, Chino, Calif.	Dairy	283	244	27	23
95	84	Knouse Foods Cooperative Inc., Peach Glen, Pa.	Fruit & Vegetable	281	298	176	173
96	76	Gold-Eagle Cooperative, Goldfield, Iowa	Mixed (Supply, Grain)	281	322	92	65
97	95	Effingham Equity, Effingham, Ill.	Supply Grain	278	243	150	134
98	88	Hopkinsville Elevator Company Inc., Hopkinsville, Ky.	Mixed (Grain, Supply)	277	293	110	100
99	74	First Cooperative Association, Cherokee, Iowa		276	324	96	81

Table 2 — Criteria used for sorting co-ops by segment

Type of cooperative	Cooperative defined
<i>Supply</i>	Derive at least 75 percent of their total revenues from farm supply sales .
<i>Mixed</i>	Derive between 25 percent the 75 percent of total revenues from farm supply sales and the remainder from marketing.
<i>Grain</i>	Derive at least 75 percent of their total revenues from grain marketing.
<i>Dairy</i>	Market their members' raw milk, while some also manufacture products, such as cheese and ice cream.
<i>Sugar</i>	Refine sugar beets and cane into sugar and market sugar and related byproducts.
<i>Fruit and Vegetable</i>	Generally further process fruits or vegetables and market those products, rather than market raw products.
<i>Other</i>	This segment includes cooperatives that market livestock, rice, cotton and nuts.

UNLOCK the Potential of Co-ops



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

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



Keys to Successful Co-op Housing (SR 54)

A guide reviewing successful practices in establishing and operating housing cooperatives. Offers important information on planning and organizing, management, cooperative finances, and dealing with membership.



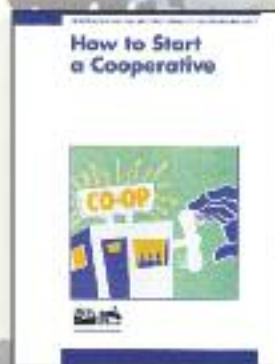
Cooperatives: A Housing Alternative for Rural America (SR 45 - Web only)

Housing cooperatives offer members affordability, a sense of empowerment and control, and the permanence and stability that come with home ownership. This publication offers basic information about how they work and how they are formed. Intended for prospective co-op members and development specialists.



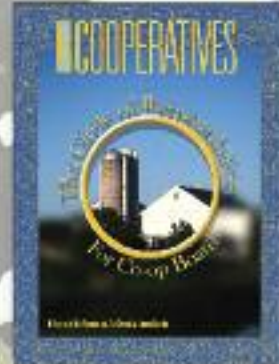
A Guide for the Development of Purchasing Cooperatives (CIR 64)

Purchasing cooperatives can often make a big difference in lowering costs and improving services to independent retailers as well as farmers. This publication includes an overview of purchasing cooperatives and provides the basic steps for organizing such a co-op.



How to Start a Cooperative (CIR 7)

This guide outlines the process of organizing and financing a cooperative business. This publication represents the most important elements to consider when forming a cooperative. It lists what special expertise is necessary and where to look for help. Note: You may also request the condensed, 4-page version: CIR 45, Section 14.



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

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

From the keys to operating a successful housing co-op to the seven critical steps for conducting a feasibility study for a new co-op, the publications on these pages can be valuable tools.

Most of these publications are available in hard copy; all are available as downloads on the Web. Either way, there is no cost. For hard copies (please indicate title, publication number and quantity needed), e-mail: coopinfo@wdc.usda.gov, or call: (202) 720-8381. Or write: USDA Co-op Info, Stop 0705, 1400 Independence Ave., SW, Washington DC 20250. To download from the Web, visit: <http://www.rurdev.usda.gov/RDPublications.html>



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

A feasibility study is an important step in deciding whether to start a new cooperative. This publication shows you how to do it.



Basics of Organizing a Shared-Services Cooperative (SR-46 – Web only)

Shared-service cooperatives are tools for private businesses and public entities to increase their efficiency by jointly obtaining services. This publication provides basic information on organizing one.



Nominating, Electing and Compensating Co-op Directors (CIR 63)

Being a good judge of people is an important skill when it comes to choosing a cooperative board, management, employees, or business partners. This is a reprint of three articles in *Rural Cooperatives* addressing this important issue.



Understanding Cooperatives (CIR 45)

A series of 15 4-page flyers covering topics ranging from the Legal Foundations of Cooperatives (section 9) to How to Start a Cooperative (section 14). Each section is easily adaptable by teachers for use in classrooms, or can be used as a handout for almost any type of co-op education activity.



Understanding Cooperatives (CIR 45, Compact Disk)

Available for years in hard copy, you can now get Understanding Cooperatives on compact disc. The program consists of lesson plans, handouts, exercises, reference materials, quizzes and other information, all included in electronic format on one CD.



Co-ops: What They Are and the Roles of Members, Directors, Managers and Employees (CIR 11)

This publication explains what cooperatives are and examines the responsibilities and roles of cooperative members, directors, managers and employees. It is frequently used as a teaching tool, both in classrooms and co-op settings. PowerPoint slides are also available from USDA.

Co-ops of all types benefit from USDA's value-added grants

By Stephen Thompson,
Assistant Editor

In today's competitive agricultural markets, adding value to agricultural products before selling them offers producers a way off of the "commodity-price treadmill." The problem, more often than not, is obtaining the capital needed to further process and differentiate a farm product.

USDA Rural Development offers rural businesses, including cooperatives, help in moving beyond commodity production through its Value-Added Producers Grant (VAPG) program. VAPG is a matching grant program (recipients must put up an amount of money equal to the amount of the VAPG) that can provide a substantial boost to co-ops and other rural businesses, regardless of size. Qualifying entities can obtain up to \$300,000 to increase the consumer value



Sunsweet is using its VAPG funds to increase sales of diced dried plums (seen here in a retail container) to the industrial foods market. "Without USDA's support, this project would have been difficult to fund," says Jeff McLemore, the co-op's marketing director.

of their agricultural commodities in the production or processing stages (they cannot be used to raise crops or livestock). The program not only helps co-ops that are new to the value-added sphere, it also helps well-established value-added co-ops develop new products or open new markets.

"These projects will provide financial returns and help create jobs for agricultural producers, businesses and families across the country," Deputy Agriculture Secretary Kathleen Merrigan said when announcing the 2012 VAPG recipients Feb. 3 at the Local/Regional Food System Conference in Chicago.

Out of 298 total VAPG recipients, 26 were cooperatives. They ranged from large grower co-ops that market internationally, such as Blue Diamond Growers (almonds) and Sunsweet Growers (dried fruits, plums and juices), to small co-ops serving local food markets. The awards to co-ops ranged

Ellsworth Creamery cheese curds and fruit make for a tasty, healthful lunch, as these co-op producer-members can attest.

from a low of \$17,865 for the Wisconsin Sheep Dairy Cooperative to study the feasibility of renovating the co-op's creamery, to the maximum \$300,000 for Pacific Coast Producers.

"Curd Capital" co-op wins VAPG

Ellsworth Cooperative Creamery, in Ellsworth, Wis. — the "Cheese Curd Capital of Wisconsin" — is one of the recent VAPG recipients. With 495 producer-members in Wisconsin and Minnesota, the creamery processes about 1.7 million pounds of milk daily. Founded in 1908, the co-op has carved out a place for itself on regional supermarket shelves with its leading consumer product: top-quality white cheddar cheese curds, a regional delicacy in the Upper Midwest and Canada.

While the co-op does produce some private-label goods, the majority of its products are sold under its own Ellsworth brand.

Ellsworth cheese curds are offered in five flavors, including: Original, Garlic and Cajun. Careful processing results in a product that has a "cleaner taste," according to Paul Bauer, the co-op's CEO. The curds don't clump together in the bag, giving them a kind of "popcorn" appearance that appeals to customers.

The major marketing challenge facing the co-op is that cheese curds just aren't very popular outside Wisconsin, Minnesota and parts of Canada. Looking to expand its market, the cooperative saw an opportunity in the smaller Blaser Creamery, about 60 miles to the north of Ellsworth, which began life as the Comstock Cooperative in 1901. It went "private" about 75 years ago.



Blaser developed a line of high-quality cheeses and cheese spreads, including specialty cheeses, such as asiago and flavored Muenster, Colby, Cheddar and Jack cheeses. Ellsworth was already supplying milk to the smaller firm and, like Ellsworth, Blaser Creamery had established a good market for its products in nearby communities, especially in the Minneapolis-St. Paul metropolitan area.

Together the two product lines offered a broader selection of high-quality products that was less limited geographically in appeal.

"It's a good fit," Bauer says. "They make some beautiful artisan cheeses, and they had good sales. But they were a small operation and needed some more financial 'oomph' to get better market exposure."

Ellsworth bought Blaser in June 2011, and officially renamed it Comstock Creamery, while keeping the well-regarded Blaser Premium Cheeses brand. Bauer says the proximity of some

of Ellsworth's members to Blaser means that some of its collection trucks can make their first daily deliveries directly to the smaller facility.

"Now we need to get our products known to the buyers," he says. That means sales trips and demonstrations to potential wholesale buyers, such as supermarket chains, and marketing campaigns to establish the co-op's brands with the public. That's where the \$300,000 Value-Added Producers Grant from USDA Rural Development comes in. The cooperative will use the funds to expand its market penetration.

"We want to use the sales forces of both firms," says Bauer, who sees good sales possibilities on the East Coast. "We've even sent

samples to China," he says.

Dakota Pride looks to expand Asian market

A few hundred miles to the west, another cooperative is using VAPG funds to expand into foreign markets. Like Ellsworth, Dakota Pride, in Jamestown, N.D., is a 200-member marketing co-op that seeks to add value to its growers' crops by achieving a high-quality, differentiated product.

The cooperative sells identity-preserved commodities: grain and oilseeds that meet stringent specifications tailored to the needs of each buyer. Participating growers use high-quality seed supplied by the cooperative, planted and raised according to strict requirements designed to eliminate cross-contamination and assure a high-quality, identity-preserved product.

The processing, packaging and shipping are handled by the cooperative

to ensure that quality remains “up to spec.” The result is a top-quality product that offers better value to the customer and a premium price to the grower.

There are inviting markets for such products in Asia. South Korean consumers in particular use large quantities of high-quality soybeans, but they demand that the soybeans be guaranteed to be non-genetically-modified. Dakota Pride already sells soybeans in Asia, but wants to break into the highly lucrative South Korean market. A \$49,000 VAPG, plus the matching funds supplied by the

University in Ettrick, Va. With the help of a VAPG, the working group carried out a feasibility study and set up the meeting at which the cooperative was formed in May 2007.

The co-op sells its products through a wholly-owned subsidiary, the Virginia Natural Fish Co. It receives technical support from Virginia State University (VSU) and the Virginia Tech Cooperative Extension service. It also serves as a purchasing co-op for fingerlings and other supplies. Co-op members help each other with large jobs such as stocking, harvesting, transport, etc.

The fish and prawns are harvested,

says Cathy Belcher, the co-op’s marketing manager. “But we’re stretched pretty thin.”

Part of the problem is the lack of centralized processing and storage facilities. Trout are processed at VSU, a 90-minute drive away, while other fish are handled at the Prince Edward County Cannery, a small public facility in Farmville. The prawns are cleaned and frozen at a seafood processor in Hampton, Va., 145 miles away.

The VAPG of \$300,000 and matching funds will be used to support a production manager’s position, build the brand and expand production and markets — hopefully building the capital for a centralized processing and storage facility.

Wide variety of uses allowed

The purpose of the Value-Added Producer Grant program is to help agricultural producers improve the value of their products through processing and/or marketing. Grants can be used for feasibility studies, developing business plans, working capital and for farm-based renewable energy products.

Planning grants are available for up to \$100,000; working capital grants for up to \$300,000. The grants are limited to 50 percent of project costs. The rest of the funds must be matched by the recipient or other donors.

Eligible applicants include independent producers, agricultural cooperatives, producer groups and majority-controlled producer-based business ventures. However, cooperatives are given preference in scoring the applications. More information is available from USDA Rural Development State Offices, which can be found at the following Web address: <http://www.rurdev.usda.gov/StateOfficeAddresses.html>.

A list of all the co-ops that received VAPG funding in February is on page 29. To see the complete list of recipients, visit the Newsroom (Feb. 3 press release) at: www.rurdev.usda.gov.



Leland “Judge” Barth (far right), executive director of the Dakota Pride Cooperative, leads a tour of co-op facilities for some visitors. The co-op is using its grant to expand marketing efforts for its identity-preserved grains and oilseeds. Facing page: the fish ponds of a member of the Virginia Aqua-Farmers Network.

cooperative, will be used to carry out marketing studies and campaigns to establish trading links in that country.

Grant helping aquaculture co-op

A much smaller cooperative in Virginia faces a different problem: more demand than it can meet. Virginia Aqua-Farmers Network LLC, of Farmville, is part of the growing local foods movement. It has 19 members in southeastern Virginia raising rainbow trout, striped bass hybrids, catfish, and freshwater prawns.

The cooperative was started as the result of a working group formed in 2006 by the Virginia Aquaculture Association and Virginia State

cleaned and frozen, then sold throughout the year at farmers markets and through subscription services. The co-op now sells at markets in Williamsburg, Lynchburg, Appomattox and Charlottesville, home of the University of Virginia, where students have set up a Community Supported Fishery to bring aquaculture producers and customers together.

Restaurants are another market the cooperative began supplying recently on a small scale. One of the co-op’s selling points is that its producers are committed to sustainable production and don’t use pesticides or herbicides around the ponds and don’t use growth hormones or antibiotics.

“We’ve got a good, healthy product,”



USDA Value-Added Producer Grants Awarded to Farmer Cooperatives

- 1 Pacific Coast Producers** Lodi, Calif.; \$300,000; For marketing effort aimed at attracting younger demographic to canned fruit and tomato paste products.
- 2. Blue Diamond Growers** Sacramento, Calif.; \$300,000; For introducing a line of flavored snack almonds specifically formulated for French consumers.
- 3. Sunsweet Growers** Yuba City, Calif.; \$300,000; For marketing diced, dried plums in industrial and food service channels.
- 4. Sweetgrass Cooperative** Hillside, Colo.; \$226,000; To develop web-based marketing for co-op's grass-fed beef products.
- 5. Flint River Farmers Cooperative** Newton, Ga.; \$300,000; For vegetable processing facility.
- 6. Hawaii Cattle Producers Cooperative Assoc.** Kamuela, Hawaii; \$58,180; To expand marketing by hiring marketing staff and creating retail point-of-sale materials to increase demand for locally raised cattle products.
- 7. Idaho's Bounty** Ketchum, Idaho; \$58,160; For marketing efforts for wide variety of locally produced foods.
- 8. Michigan Sugar Company** Bay City, Mich.; \$300,000; For effort to expand markets for co-op's powdered and brown sugar in consumer-direct polybag packages.
- 9. Clearbrook Elevator Assoc.** Clearbrook, Minn.; \$300,000; For a soybean extruder that adds value to co-op's organic soybeans.
- 10. Soy Inc.** Jefferson City, Mo.; \$100,000; For economic planning for export of soy protein to Thailand.
- 11. Show Me Energy Cooperative, LLC** Centerview, Mo.; \$100,000; For feasibility study for construction of a biomass powerplant that will turn native grasses into electrical power.
- 12. Indian Springs Farmers Assoc., AAL** Petal, Miss.; \$24,999; For developing watermelon juice products.
- 13. Dakota Pride Cooperative** Jamestown, N.D.; \$49,000; For expanding market reach for identity-preserved, non-GMO soybeans in South Korea.
- 14. Bowdon Meat Processing** Bowdon, N.D.; \$49,500; For operating a meat processing plant and marketing value-added product.
- 15. Landisville Produce Cooperative Assoc.** Landisville, N.J.; \$49,975; For starting small-lot delivery service for packaged/branded fruits and vegetables; acquisition of credit card readers; and for local product promotion and food safety training for members.
- 16. New York Beef Farmer's Cooperative** Canostata, N.Y.; \$36,500; For a marketing plan for the co-op's proposed value-added beef and pork products, to be sold locally under the Side Hill Products brand.
- 17. Growers Cooperative Grape Juice Co. Inc.** Westfield, N.Y.; \$45,000; For collaborating with the newly opened Grape Discovery Center to increase sales of co-op's new local retail product lines.
- 18. Mercer Landmark-Louis McIntire** Celina, Ohio; \$39,800; For feasibility study of three new soybean product lines.
- 19. Endless Mountains Farm Fresh Cooperative** Hop Bottom, Pa.; \$37,450; For feasibility study for expanding the co-op's market for local farm products into two nearby cities.
- 20. Virginia Wineries Association Cooperative** Richmond, Va.; \$100,000; For expanding the customer base for Virginia wines.
- 21. Virginia Aqua-Farmers Network LLC** Farmville, Va.; \$300,000; For product expansion into an emerging market in Virginia for local fish and prawn.
- 22. Wisconsin Sheep Dairy Cooperative** Strum, Wis.; \$17,865; For economic planning to determine the technical and economic feasibility of the co-op's creamery renovation project.
- 23. Wisconsin Cranberry Cooperative** Wisconsin Rapids, Wis.; \$300,000; For value-added processing and marketing of cranberry products in East Europe and China.
- 24. Community Farmers' Co-Op (AKA CFC)** Osceola, Wis.; \$200,000; For value-added processing to package and jar co-op's tomatoes, cabbage, cucumbers and beans.
- 25. Ellsworth Cooperative Creamery** Ellsworth, Wis.; \$300,000; For marketing campaign and to purchase inventory for cheese products.
- 26. Westby Cooperative** Westby, Wis.; \$300,000; For value-added processing and marketing of cheeses. ■

Co-ops & Community

Iowan shares skills with African farmers

Editor's note: This article is provided courtesy West Central Cooperative, Ralston, Iowa. The "Co-ops & Community" page spotlights the efforts of co-op members and employees who fulfill the co-op mission of "commitment to community." Regardless of whether these efforts make a co-op's hometown a better place to live, or — as in this case — help to feed people on the other side of the world, co-op people are reaching out to make a difference. If you know of a co-op member or employee whose efforts deserve to be recognized on this page, please contact: dan.campbell@wdc.usda.gov. Reprint articles from co-op publications are welcome.

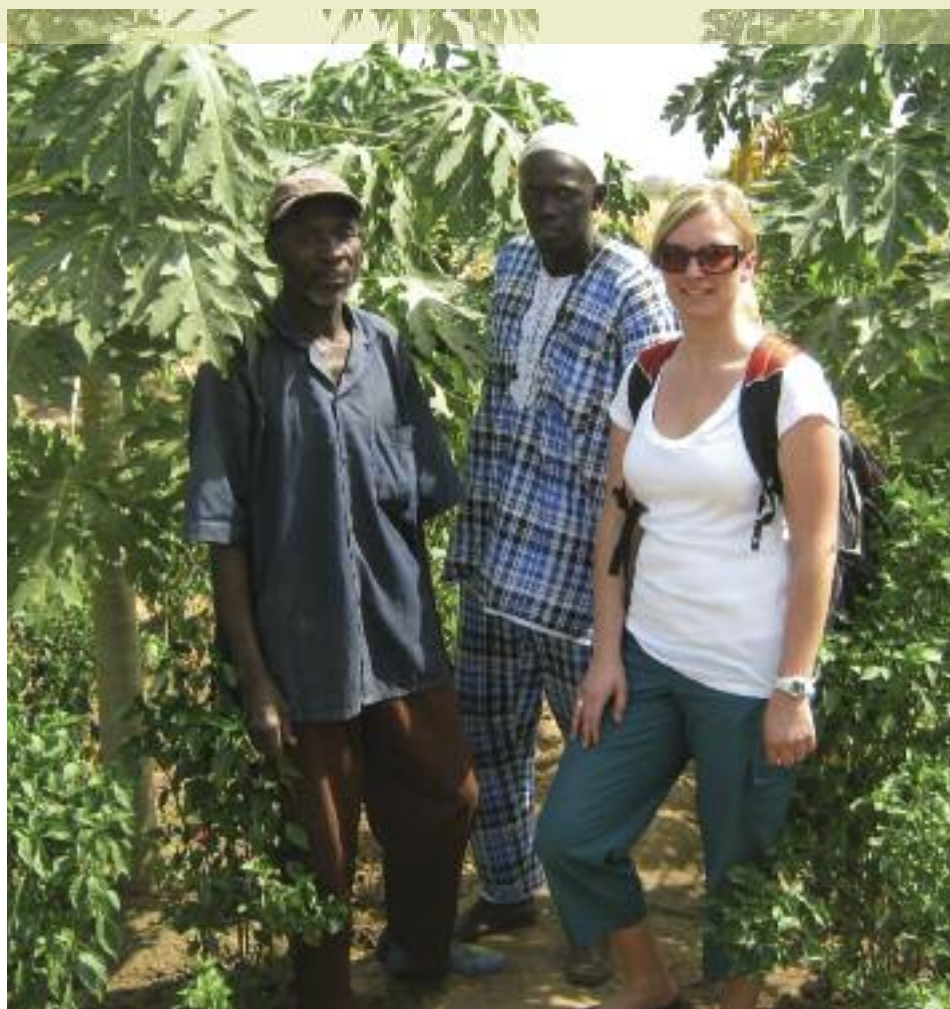


Farmers in the West African nation of Senegal face severe disadvantages, including an arid climate that is not ideal for most crops, lack of transportation infrastructure to reach markets and a lack of access to investment capital. Undaunted, they are determined to succeed despite these and other formidable obstacles.

Sarah Dorman, communications manager for West Central Cooperative — an Iowa grain marketing, soybean processing and farm supply co-op — recently completed an assignment as a Farmer-to-Farmer program volunteer in Senegal, where she helped farmers develop new marketing skills. She returned home impressed by the spirit and resourcefulness of the subsistence-level farmers she worked with, who manage to do so much with so little.

Nation struggles to end hunger

Senegal is located on the western tip of Africa and is currently classified as "serious" on the Global Hunger Index of the International Food Policy



"These farmers are feeding their families and trying to make a living on what they can grow on a farm that's about half the size of a football field," says Sarah Dorman, explaining the challenge of helping farmers in Senegal improve their marketing efforts. Facing page, a farmer slices eggplant (no longer good for human consumption), which will be packaged in baggies and sold as goat food. Photos courtesy Sarah Dorman.

Research Institute. Plagued by chronic food insecurity, Senegal imports 70 percent of its food. Current food production cannot keep pace with demand from a growing population, and rising food prices limit the ability for the Senegalese people to have diverse and healthy diets.

It took four days for Dorman to travel from her home in Carroll, Iowa, to Bakel, Senegal. There, she immediately went to work on a

marketing assignment with the Bakel Horticulture Producers Union (BAKHPU).

"BAKHPU is essentially a cooperative, with about 315 produce farmers in the Bakel region of Senegal, near the border of Mauritania and Mali," explains Dorman. She was initially told that the farmers in the area grew onions and hot peppers. But after arriving in Senegal, Dorman found that while most farmers did grow these two

crops, there were also a wide variety of other fruits and vegetables being produced.

“The important thing to keep in mind, though, is that this isn’t Iowa agriculture, or even U.S. agriculture for that matter,” Dorman says. “These farmers are feeding their families and trying to make a living on what they can grow on a farm that’s about the size of half of a football field, and in an area that had only two days of rain last year.”

NCBA oversees program

The Farmer-to-Farmer (FTF) program is operated by the National Cooperative Business Association’s (NCBA) CLUSA International Program. FTF provides short-term volunteers who provide technical assistance to farmers, farm groups and agribusinesses. Through this USAID-funded program, volunteers provide assistance and training in processing, production and marketing to targeted populations.

FTF’s goal is to improve the value chains that impact food security, increase household revenue and provide farmers with cash to purchase food. NCBA’s CLUSA International Program currently has project offices in 10 countries on three continents.

“Originally, I was asked by FTF in the spring of 2011 to work with farmers in Niger, but that trip was later cancelled. When I got the second call to work in Senegal with produce farmers, I was excited about the opportunity to participate in this program,” recalls Dorman.

Although asked to volunteer, Dorman still had to apply to the program and be accepted by both NCBA organizers in Washington, D.C., as well as by USAID employees in Senegal. Once her application was approved, Dorman was assigned to work as a marketing volunteer, based on her education and professional experience.

In a marketing assignment, volunteers work directly with organizations and farmers to develop

improved marketing techniques for their crops. Other FTF volunteers work in the areas of production, processing and cooperative development.

Covering large territory

Dorman spent 11 days in the area meeting with farmers each day. Traveling with an interpreter/project coordinator and a driver, the trio would travel up to 40 miles daily in any direction from Bakel to meet with farmers and offer marketing training.

“The response from the farmers was great,” Dorman says. “Taking the time to travel and meet with me was a lot to ask of these farmers when it’s all they can do to keep their farms going. We had in-depth conversations during the training sessions.” The farmers asked many pointed questions that showed their grasp of the marketing challenges they face.

“I enjoyed working with them and will be excited to see the results they’re able to achieve as an outcome of our work there,” says Dorman.

“Translating from English to French and then into tribal languages was a bit daunting, and for a minute you’d wonder if what you were saying was really going to be understood,” she says.



“But then the farmers would fire back exacting questions regarding the topic, and you knew the language barrier had been broken.”

During the training sessions she focused on five key areas:

- Understanding supply and demand;

- Storage and processing techniques;
- The need for diversification of products;
- Budgeting and cost control fundamentals, and
- Wholesale contracting.

Follow-up plan compiled

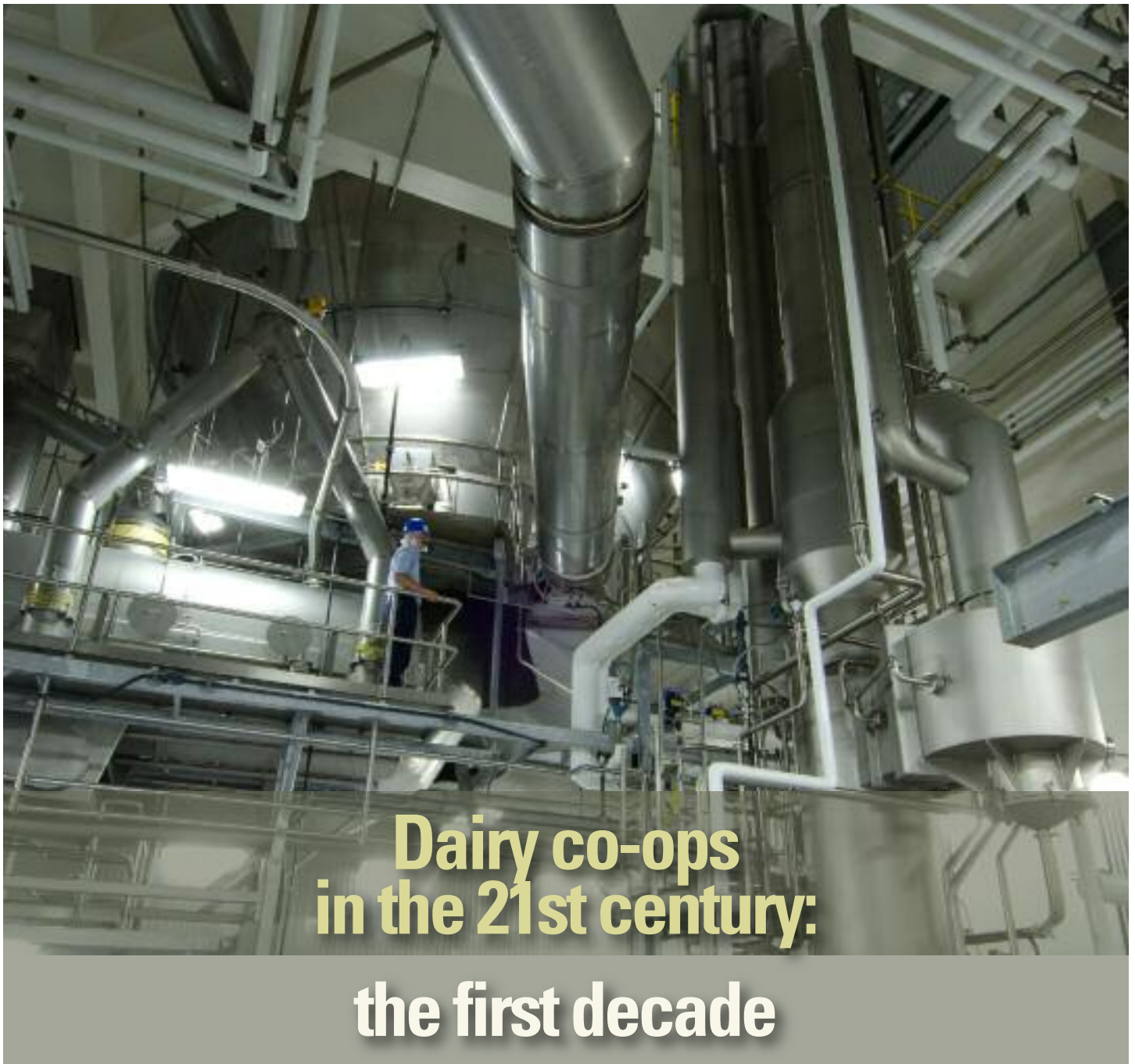
Before leaving Senegal, Dorman met with in-country USAID officials to discuss her assignment, hoped-for outcomes and to put together a follow-up plan for local administrators to continue the work she’d started. After returning to the United States, Dorman wrote an action report detailing how U.S. officials can do follow-up work with BAKHPU. The report was submitted to the NCBA/CLUSA office in Washington, D.C.

“Knowing that the work you’re doing will be implemented and that follow-up will be done after you’ve left the country to ensure success makes you feel confident that your time and effort was well spent,” notes Dorman. She was one of three FTF volunteers to work with the BAKHPU organization. The first volunteer arrived in September 2011 to work with the group on pest management and production. A second volunteer was with the group in October and focused on organizational and cooperative development, and Dorman arrived in November.

As a volunteer, her trip expenses were covered by USAID while West Central Cooperative provided Dorman with the time away from her position to participate in the program.

“What’s great about the FTF program is that you know USAID will follow through. You know the work you’re doing will have consequence. Just a week or so ago, I received a progress report from Abibou, the in-country contact, and Eric Wallace with NCBA in D.C. There’s still a connection there.”

For more information about the Farmer-to-Farmer program, visit: www.usaid.gov/index.html. ■



Dairy co-ops in the 21st century: the first decade

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As the 21st century began, cooperatives continued to be the marketing organizations of choice for most dairy farmers. Helping to sustain this standing, dairy farmers made adjustments in their marketing organizations through new formations, mergers and even dissolutions over the past decade. These actions positioned dairy farmers with organizations better able to serve their marketing needs.

Between 2000 and 2010, 23 new dairy cooperatives were

formed. Conversely, 30 dairy cooperatives merged with another dairy co-op, while 49 dissolved. Another four cooperatives stopped handling producer milk (table 1). As a result, the number of U.S. dairy cooperatives shrank by 60 cooperatives from 2000-2010.

The South Atlantic region of the United States was the only region where there was a net increase in the number of dairy cooperatives. The North Atlantic had the largest net decline in dairy co-ops. However, the North Atlantic had the largest number of cooperatives in both 2000 and 2010.

Despite the decline in co-op numbers, dairy cooperative producer-members continue to market a large majority of the nation's milk supply — about 82 percent of total production (as measured in 2002 and 2007). The cooperative model

employed by U.S. milk producers is not uniform; rather, cooperatives range in size (as measured by the amount of milk the cooperatives handle) and have varied operations (the activities they undertake to market member milk).

New co-ops formed

During the past decade, every region of the nation (except the South Central region) saw one or more new dairy cooperatives form to operate at the first-handler level, seeking to secure the most profitable outlets for their members' milk and provide producers a say in the market. These 17 new cooperatives may negotiate prices and terms of trade, as well as secure a buyer(s) for members' milk. But these co-ops usually didn't own plants.

Dairy cooperatives that operate in this manner are referred to as "bargaining-only" cooperatives because they generally do minimal, or no, further processing of the members' bulk, raw milk. The new bargaining-only cooperatives were medium-sized (10 cooperatives handled between 1 billion and 50 billion pounds of milk annually) or small (seven of these new co-ops handled less than 50 million pounds of milk annually).

In addition to the 17 new bargaining-only cooperatives, five new dairy cooperatives began operations during the past decade to make and/or market specialty or niche dairy products. These new "niche marketing" cooperatives were all

small. Three of the five new niche marketing cooperatives were headquartered in Wisconsin. Several were formed by Amish dairy farmers. They emphasize the unique milk production characteristics of their members, such as grass-fed, organic and/or local, to market the milk and milk products.

Finally, there was one new large (handling more than 1 billion pounds of milk annually) "diversified" cooperative in the North Atlantic region. It was created through the merger of several dairy cooperatives.

Cooperatives that make a variety of dairy products in a number of plants, in addition to selling bulk/raw milk to other dairy firms, are referred to as diversified cooperatives.

Cooperatives merged

To address changes in their marketing environments, 30 dairy cooperatives merged into other cooperatives during the 2000-10 period. Co-ops that merged were headquartered in every region except the South Atlantic. Further, both bargaining-only and cooperatives with manufacturing and/or processing operations merged with other cooperatives. However, no niche marketing co-ops merged with another co-op during this decade.

One-half of the cooperatives that merged were small bargaining-only co-ops in the North Atlantic region (15 cooperatives). Seven of the other nine bargaining-only co-ops

Table 1—Dairy cooperative changes, 2000-10

Operating Mode	2000 CO-OPS	MERGED ¹	DIS- SOLVED ²	NO LONGER DAIRY ³	TOTAL EXITS	MODE CHANGES FROM	EXITS PLUS MODE CHANGES	ENTRIES ⁴	MODE CHANGES TO	TOTAL ADDITIONS	2010 CO-OPS	NET CHANGE 2000-10
Diversified	14	3	1	0	4	1	5	1	12	13	22	8
Fluid processing	4	1	2	0	3	0	3	0	2	2	3	-1
Niche marketing	23	0	8	0	8	5	13	5	4	9	19	-4
Hard-product manufacturing and Bargaining-balancing	14	2	2	0	4	10	14	0	0	0	0	-14
Manufacturing/ processing, total	55	6	13	0	19	n/a	n/a	6	n/a	n/a	44	-11
Bargaining only	156	24	36	4	64	7	71	17	5	22	107	-49
Total	211	30	49	4	83	23	n/a	23	23	n/a	151	-60

Note: Mode of operation was determined from the marketing operations survey data of 1997, 2002 and/or 2007.

¹ Cooperatives that merged with another cooperative and were not the surviving entity.

² Cooperatives that were sold, dissolved, etc.

³ Cooperatives no longer handling member milk

⁴ Includes cooperatives formed by merger of existing cooperatives when the new entity operated under a new name.

that merged were medium-sized and headquartered in four of the six U.S. geographic regions (North Atlantic, West North Central, South Central and Western regions).

Six manufacturing/processing cooperatives merged with other larger manufacturing/processing cooperatives during 2000-10. All but one were all medium-sized prior to their mergers and headquartered in the North Atlantic, West North Central and Western regions.

Changed operations

While cooperatives must continually modernize and make adjustments in their operations to meet changes in the market environment, 23 significantly changed the nature of their operations between 2000 and 2010. Certain modes of operation that were successful in previous decades gave way to alternative operating types.

For example, the cost of inefficient plant utilization led “bargaining-balancing” cooperatives to merge with other co-ops, alter their operations or dissolve. Bargaining-balancing cooperatives are dairy cooperatives that operate at the first handler level and bargain for their producer-members; they also have plants that manufacture commodity dairy products (butter, powder or cheese) for “last-resort” balancing of surplus milk volume.

Five of the former bargaining-balancing cooperatives

Dairy co-op producer-members continue to market a large majority of the nation’s milk supply — about 82 percent of total production.

broadened their product lines to operate as diversified dairy cooperatives. Conversely, three of the bargaining-balancing cooperatives closed their under-utilized plants and continued as bargaining-only cooperatives.

(Regardless of the disappearance of bargaining-balancing cooperatives, dairy cooperatives continue to provide a balancing function in milk markets. The balancing function now is mostly provided by the diversified cooperatives that direct varying volumes of milk through their plants to accommodate the ebb and flow of milk production and demand.)

Two dairy cooperatives adapted to a changed marketplace by shifting away from the manufacture of a narrow line of hard products (butter, powder or cheese). Previously, these cooperatives used most of their members’ milk in their own manufacturing plants to make undifferentiated, commodity dairy products. These cooperatives found it more advantageous to diversify their product lines to include products formulated to unique customer specifications.

Further, seven bargaining-only cooperatives added manufacturing/processing operations during 2000-10 to become diversified, fluid processing or niche marketing

cooperatives. Conversely, two niche marketing co-ops ceased plant operations and continued on with bargaining-only operations during the decade.

Three other niche marketing cooperatives broadened their operations, becoming diversified cooperatives. Finally, one diversified cooperative became more focused on fluid processing operations.

Cooperative dissolutions

The 2000-10 decade saw 49 dairy cooperatives dissolve. Nearly three out of four were bargaining-only cooperatives.

Most of the manufacturing/processing cooperatives that dissolved were niche marketing cooperatives (eight co-ops). In many cases, the members of the dissolved cooperatives were able to join other dairy cooperatives.

Dairy cooperatives in 2010

At the same time that some dairy cooperatives have changed to adapt to evolving market conditions, others have continued operating within a particular marketing mode. This is not to imply that these cooperatives have not made adjustments to address changes in the marketplace. These co-ops have modernized their plants and equipment, acquired plants, built new plants, expanded product lines, entered joint ventures and/or broadened member services. But these moves have been made as they continued in the same general mode of operation.

Of the 151 dairy cooperatives operating in 2010, almost three of every four had been in continuous operation since prior to 1992 (table 2). Further, most of these cooperatives had been operating since well before the 1990s, and at least a dozen had been operating for more than 75 years.

Nineteen of the 110 cooperatives that had been operating since prior to 1992 changed their operations during 2000-10 enough that they were identified as operating under a different operational mode than previously. Still, a majority of the nation’s dairy cooperatives in 2010 had been in operation since prior to 1992 and had been using the same mode of operation since at least 2000. These 91 cooperatives likely expanded, altered and adapted their operations over the years, but they remained identified with the same mode of operation.

Further, a majority of each of the operating types had been in operation since prior to 1992. However, bargaining-only cooperatives were the only type of dairy cooperative where a majority had focused solely on bargaining functions since prior to 1992, not changing to this mode during this past decade.

In contrast, only a minority of the manufacturing/processing cooperatives had been operating within the same mode of operation since prior to 1992. Among the manufacturing/processing cooperatives, niche marketing cooperatives were remarkable because they had the lowest proportion of cooperatives that had been in operation since at least 1992 but had the largest proportion that had been

Table 2—Dairy cooperatives in 2010 that had been in operation since 1992, by mode of operation, region

	Mode of operation					
	ALL	DIVERSIFIED	FLUID PROCESSING	NICHE MARKETING	BARGAINING ONLY	
<i>Number of cooperatives</i>						
Continuous operation ¹	110	16	3	12	79	
Same mode ²	91	6	1	8	76	
<i>Percent of 2010 cooperatives</i>						
Continuous operation ¹	73%	73%	100%	63%	74%	
Same mode ²	60%	27%	33%	42%	71%	
	Region					
	NORTH ATLANTIC	SOUTH ATLANTIC	EAST NORTH CENTRAL	WEST NORTH CENTRAL	SOUTH CENTRAL	WESTERN
<i>Number of cooperatives</i>						
Continuous operation ¹	43	2	24	32	2	7
<i>Percent of 2010 cooperatives</i>						
Continuous operation ¹	78%	50%	69%	84%	67%	44%
¹ Cooperatives operating prior to 1992 and in continuous operation through 2010 ² Cooperatives operating prior to 1992 and in continuous operation through 2010 with operations categorized as the same mode of operation during 2000-10						

niche marketers since at least 1992 (three cooperatives had niche operations for 100 years or more).

Finally, a majority of dairy cooperatives in every region except the Western region had been in operation since prior to 1992. The West North Central and North Atlantic regions had the largest proportion of cooperatives that had been in operation since prior to 1992. In contrast, around one-fourth of the dairy cooperatives in the Western, East North Central and South Atlantic regions had entered during 2000-10.

Conclusion: dairy cooperatives can be flexible, responsive

Like their dairy-farmer owners, dairy cooperatives declined in number even as the amount of milk they marketed continued to grow. Some co-ops continued to operate as they had for decades, while others halted their manufacturing-processing operations. Other co-ops added plant operations, and a number of new dairy cooperatives formed in this first decade of the 21st century.

Small cooperatives declined to less than one-half of the nation's dairy cooperatives, even as a majority of the North Atlantic cooperatives continue to be small. Much of the

adjustment in dairy cooperative numbers was in the small category, where a majority went out of business by dissolution.

Bargaining-only cooperatives were perhaps the most flexible operating type, as evidenced by the numerous co-op entries and exits in this industry sector. This could be due in part to their having few fixed assets. On the other hand, over one-half of the niche marketing cooperatives in operation in 2000 went out of business, or ceased niche marketing operations, by 2010.

Meanwhile, more than one-fourth of the niche marketing cooperatives operating in 2010 had begun operations during the decade.

All this attests to the viability of the cooperative model in dairy marketing while at the same time highlighting that there is no one ideal mode of dairy cooperative operation. The fact that dairy cooperatives have been able to thrive using a variety of operating modes and under a broad range of economic conditions indicates that dairy cooperatives are likely to continue as the marketing organizations of choice for many dairy farmers in the years to come. ■

Co-ops respond to consolidation, global volatility



Speakers, including Bob Fifield of Cooperative Producers Inc., reviewed marketplace trends that are impacting co-ops during the 14th annual Farmer Cooperative Conference in Minneapolis.

By Lynn Pitman,
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Volatility in the global economy and rapid consolidation in the agribusiness markets are placing

unprecedented demands on farmer cooperatives. How can cooperatives innovate and grow?

The 14th Annual Farmer Cooperatives Conference, held in Minneapolis in November, provided a forum for cooperative leaders to assess

their business environment and discuss new strategies to meet the needs of their members.

Terry Barr, senior director of industry research for CoBank, kicked off the conference with a review of trends in the global marketplace. The balance between emerging and advanced economies will continue to change as the emerging economies drive the demand and economic growth of the future, he said.

This trend is benefiting the agribusiness sector, which is increasingly becoming more export-dependent. Significantly lower levels of liquidity in the global credit markets,

along with continued volatility and geopolitical and economic uncertainty, is expected. Agriculture continues its strong performance, Barr said, but will need to explore new marketing arrangements to manage the risk that is being passed up and down the supply chain.

As populations increase, food sovereignty concerns are driving foreign economies to seek more control over their food supplies. Many countries are now active international agricultural investors, purchasing land and making investments across the globe.

Private equity funds have also entered the market. Mark Palmquist,

CHS executive vice president and chief operating officer for Ag Business, described how the cooperative is responding to this focus on asset acquisition that is driving prices skyward. The CHS system strategy, he explained, builds on a strong cooperative system domestically and is growing its global origination footprint.

Palmquist noted that the cooperative farmer ownership structure provides CHS a competitive advantage, and he looked forward to continued growth opportunities.

Consolidation has local and regional impact

As agribusiness operations consolidate to maintain competitive advantage, there are impacts for cooperatives at the local and regional level. The general managers of three local and regional cooperatives described how their cooperatives have adjusted to meet the changing marketplace.

Jeff Nielsen of United Farmers Cooperative (UFC) in Minnesota emphasized that strong earnings are necessary to invest in the infrastructure needed to compete globally and to allow the co-op to maintain and improve its member equity revolvment program. Partnerships have allowed UFC to be part of the global marketplace but keep production and capital local.

Frontier FS Cooperative in Wisconsin merged into Growmark in 2010. Sam Skemp described some of the advantages and challenges posed by this significant structural change.

He noted the need to attract and retain high-caliber employees who are necessary to provide the service quality its customers expect. To help meet some of these challenges, Frontier has instituted better employee benefits and a new equity payout system with a higher cash/stock ratio.

Sunrise Ag in Illinois is a diversified co-op with agronomy, grain, transportation, energy and retail divisions. It has also pursued joint ventures and is participating in an LLC to strengthen

its competitive position vs. larger agribusinesses. Rich Vanderpool described how this diversification has been complemented by a successful producer-finance program, which helps differentiate Sunrise Ag from other competitors.

Flexible financial structures

Conference speakers also addressed topics related to the flexible financial strategies that are necessary for cooperatives to pursue competitively driven structural options. Mike Hechtner, CoBank Central Region president/Rural Agribusiness Group, provided an overview of the current banking environment. CoBank has been able to respond to commodity volatility by tailoring its loan programs to the capitalization and profitability levels within each company.

Co-ops will need to keep their focus on working capital levels to meet bank requirements, but also should consider financing strategies that take advantage of historic low interest rates, Hechtner said. Counterparty risk continues to be an issue for lenders. He called for co-ops to “make some (and) save some” during these strong economic times in agriculture.

David Barton, professor emeritus, Kansas State University, drilled down into the topic of income distribution and equity management strategies, drawing on co-op and business finance theory and practices. He described innovative practices that impact profitability, income distribution, asset and balance sheet management, and patron equity investment.

In acknowledging the trade-offs that inevitably must be made, Barton reminded co-ops that while they should not let “perfect” be the enemy of “good,” neither should “good enough” interfere with “continuous improvement.”

Tax, equity issues

The impact of tax and accounting issues on financial strategies was examined by Teree Castanias, CPA. She provided a recap of Section 199 of the

IRS Tax Code, which relates to manufacturing activity for products made in the United States, and the choices about patronage dividend management that cooperatives should consider when using this deduction.

Both Barton and Castanias worked with Bob Fifield, CEO of Cooperative Producers Inc., to develop a new equity revolvment plan after the 2007 merger between Heartland and Midland. Fifield described how balance sheet management and use of capital drove patronage equity rules. Section 199 considerations also affected patron allocation strategies.

Another view of equity management was provided by Tom Houser of CoBank, who described how cooperative equity in the bank was dependent on how much the co-op borrowed. CoBank has used non-qualified allocations to its members, with no intent to retire it, as a result of regulatory considerations. Especially in the Midwest, there has been an increase in the use of non-qualified allocations by cooperatives, but with an intent to revolve it.

Cooperatives also need to continually adapt their risk management strategies to respond to a volatile global marketplace that is driving risk down the supply chain. Tom Neher, vice president for AgriBusiness at AgStar Financial Services in Minnesota, described the shift from trading based on market predictions to a margin management approach based on cost of production and financial goals.

Steve Watrin of Land O'Lakes discussed hedging practices within a larger risk management strategy for producers and the information, communication and tracking systems that are needed to make them an effective tool.

The 15th Annual Farmer Cooperatives Conference will return to Minneapolis on November 8-9, 2012. Visit www.uwcc.wisc.edu for conference updates as they occur. ■

Newsline

Co-op developments, coast to coast

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

Land O' Lakes sets sales record

Land O'Lakes achieved record net sales and had its second-highest net earnings in 2011, co-op leaders told 1,000 delegates and visitors at the dairy foods and farm supply co-op's 91st annual meeting, held in Minneapolis in February.

President and CEO Chris Policinski said 2011 financial highlights included:

- Net sales of \$12.8 billion, up from \$11.1 billion in 2010, with record-high sales in the Dairy Foods, Feed and Crop Inputs divisions;
- Net earnings of \$182 million, up from \$178 million in 2010;
- \$108 million in cash was returned to members, the third consecutive year in which cash returned exceeded \$100 million.

"Our 2011 results represent positive performance and ongoing business growth in what continues to be an uncertain economy and volatile marketplace," Policinski said. "Despite these challenges, over the past three years, Land O'Lakes has achieved our top three years, in terms of net earnings and cash returned to members, and two of our top three years for net sales totals."

Land O'Lakes is positioned to capitalize on the opportunity created by a growing global population, projected to expand from about 7 billion people today to more than 9 billion by 2050. "Opportunity attracts competition, and we expect competition — both domestic and global — to be aggressive," he said. "However, we remain focused on delivering a level of performance and strategic growth that enables us to compete and win, generating enhanced value for members

Share your co-op news

To have your co-ops news appear in Newsline, make sure you are sending press releases and announcements to: dan.campbell@wdc.usda.gov. Items of interest include new products and services, business ventures, honors, annual financial performance, mergers, new board chairs and managers/CEOs, and community service efforts, among many other topics. Photos are also welcome, but should be of print quality (about 300 dots per inch at four inches wide).

and customers."

Policinski added that Land O'Lakes' growth initiatives will focus on branded, value-added market segments; high-potential multi-national customers; emerging global markets; and innovation and insights that help producer-members and member-cooperatives grow their businesses.

Federated Co-op tops Canadian co-op list

Canada's Rural and Cooperative Secretariat has reported that the nation's top 50 non-financial co-ops grew in members, revenue and assets in 2010. Federated Co-operatives Ltd. (FCL) was the top Canadian non-financial cooperative (based on revenue) for the tenth consecutive year. The co-op does central wholesaling and manufacturing and provides administrative services for about 1.5 million

member-owners of about 250 retail cooperatives across western Canada.

FCL's members include co-op food stores, pharmacies, clothing stores, general merchandisers, building material enterprises, crop and feed suppliers, gas stations, convenience stores and travel services. FCL provides access to petroleum products via its refinery, Consumers' Co-operative Refineries Limited (CCRL), and groceries through a subsidiary, The Grocery People.

La Coop fédérée ranked second on the Canadian top 50 co-op list. It is owned by more than 90,000 members of 103 cooperatives in several Canadian provinces. La Coop fédérée is involved in animal and crop production and grain marketing, hardware and farm machinery, energy and meat processing.

For the first time, a telecommunications co-operative — Saskatchewan's Access Communications — made the Top 50 list.

The 2010 Annual Survey of Canadian Cooperatives also shows that:

- Top 50 co-op revenue grew 3.4 percent from 2009, to \$24.8 billion in 2010.
- Top 50 co-op assets grew 6.6 percent, to \$11 billion in 2010.
- Top 50 co-ops were owned by 4.9 million members in 2010, up 6.7 percent from 2009.
- Top 50 co-ops employ 38,700 people, 81 percent of whom are full-time.
- Top 50 co-ops returned \$640 million to their members in patronage refunds in 2010.

More information on the top 50 non-financial cooperatives is available at <http://s.coop/7xbe>.

CoBank earnings rise 15 percent; patronage tops \$340 million

CoBank's 2011 earnings and net interest income reached record highs, and loan quality improved throughout the year, the co-op lender reports. Net earnings increased 15 percent, to \$706.6 million, and patronage of \$340.7 million will be paid to members. Net interest income rose 13 percent, to \$1.1 billion, up from \$950.8 million in 2010.

Average loan volume during 2011 was \$50.2 billion, up 10 percent from

the prior year. Most of the increase occurred in the bank's Agribusiness operating segment, where higher prices for corn, soybeans and wheat drove increased seasonal borrowing by many cooperatives and other agricultural businesses. The bank also experienced higher average loan volume in its Rural Infrastructure operating segment, largely due to growth in lending to rural electric distribution cooperatives throughout the country.

"Throughout the year, we were able to effectively meet the borrowing needs

of customers and build the financial strength of the bank, despite difficult conditions in the financial markets and the broader U.S. economy," says Robert B. Engel, president and chief executive officer.

"In addition, we successfully executed our merger with U.S. AgBank, which expanded our customer base, enhanced the diversification of our loan portfolio and increased our capital position."

Average loan volume increased about 1 percent in CoBank's Strategic

Students explore world of co-ops

The next generation of co-op leaders is taking time to learn not only the history of cooperatives, but also what really makes them work in today's economic and social environments.

Nearly 100 students from nine states came together recently in Minneapolis, Minn., to learn about cooperatives from co-op experts, employees and members of all ages. The students were participants in the College Conference on Cooperatives, sponsored by the CHS Foundation and hosted by the National Farmers Union (NFU) Foundation.

"The conference provided me the opportunity to gain a very broad perspective of youth involvement in the U.S. cooperative movement," says conference attendee and speaker Mingwei Huang of Illinois. "I come from a student housing co-op background – a very small niche of the co-op movement. I learned a lot about agriculture, retail, food, rural electric co-ops, credit unions and rural community economic development."

She agreed with others that to foster a vibrant generation of co-op leaders, it's necessary for youth to understand all kinds of co-ops, and to learn from leaders in the various cooperative businesses.

The three-day event in February included participants from Minnesota, Wisconsin, South Dakota, Nebraska, North Dakota, Kansas, Iowa, Illinois and Colorado. Many of the participants are attending a community college, working on a bachelor's degree or pursuing a master's degree, for which an understanding of the cooperative business structure is important.

"Don't limit your learning to your current education," William Nelson, president of the CHS Foundation, told the students on a tour of CHS Inc. headquarters. He

challenged them to "get involved in things that you cannot complete in your own lifetime" as a way to make a difference.

The students also visited REI, a sports equipment consumer cooperative, Mississippi Market Natural Foods Co-op and 7500 York Cooperative. The latter is a retirement housing cooperative whose residents voiced appreciation for having an active role in their living environment.

Presenters included members, directors, employees and managers from traditional and value-added agricultural cooperatives, as well as perspectives from electric, housing, worker-owned co-ops and consumer cooperatives, such as credit unions. Representatives from USDA Rural Development and the Peace Corps provided perspectives on cooperative development here and abroad.

"Cooperatives are corporations where people work together to solve common problems, seize exciting business opportunities and provide themselves with goods and services," said Greg McKee, assistant professor and director of the Quentin Burdick Center for Cooperatives on the North Dakota State University campus. "Co-ops are here to stay."

Conference coordinator Cathy Statz, education director for Wisconsin Farmers Union, says Farmers Union's activities involve cooperation, education, and civic activism. "Our own history is closely tied with the cooperative movement," says Statz. "Cooperatives were made possible by legislative activity and brought to life in communities both rural and urban. Events like these bring these topics together." ■

Relationships operating segment, which includes the bank's wholesale loans to affiliated Farm Credit associations and other Farm Credit System organizations that are primarily focused on production agriculture.

"Ironically, the same higher commodity prices that increased borrowing by cooperatives last year helped suppress loan demand from association customers," Engel says. "Many farmers around the country experienced strong profits in 2011 and opted to finance their operations with cash, reducing their need for loans from associations. While association lending grew only moderately last year, we're pleased that the overall health of the U.S. farm economy remains so strong."

Total loan volume for the bank at Dec. 31, 2011, was \$46.3 billion, compared with \$50 billion at the end of 2010. CoBank will pay \$340.7 million in patronage, including \$230.7 million in cash and \$110 million in common stock, in March. At year-end, 1.25 percent of the bank's loans were classified as adverse assets, compared to 1.71 percent on Dec. 31, 2010.

In other CoBank news, it is contributing \$2.5 million to support a new center for commodities research at the University of Colorado (CU). The new center will open in 2012 at the CU Denver Business School. The gift over three years is intended to help establish CU as a global leader in research, education and training in commodities, including agricultural and energy commodities that play an increasingly vital role in the world economy.

Ocean Spray and PepsiCo pursue Latin America markets

Ocean Spray Cranberries Inc. and PepsiCo in January jointly announced that they have formed a strategic alliance for Latin America. As part of the alliance, PepsiCo will have exclusive rights to manufacture and distribute a portfolio of cranberry- and blueberry-based beverages through its Latin America Beverages division. The companies will share marketing responsibilities for the products and

collaborate on product innovation.

PepsiCo and Ocean Spray began a business relationship in 2006, when Ocean Spray's single-serve juices and juice drinks entered the PepsiCo bottling system. As a result of this relationship, which uses PepsiCo's market leadership and expertise in the convenience and gas (C&G) channel,



Ocean Spray says it has earned a 5 percent share of the C&G single-serve juice market, with volume growing by 20 percent in 2011.

"We are eager to continue building on our successful partnership with PepsiCo, as it will help us expand consumer access to Ocean Spray products in important international markets like Latin America," Stewart Gallagher, Ocean Spray's chief operating officer for Global Partner Operations, says. "We believe this is a great opportunity to further promote and deliver the health and nutrition benefits of the cranberry to consumers in Latin America."

Frank Bragg to lead FRC

Farmers Rice Cooperative (FRC), Sacramento, Calif., has named Frank G. Bragg III as its new president and CEO. Bragg, who started the new job Jan. 1, succeeds Mike Sandrock, who retired Dec. 31 after 28 years of service with the cooperative.

"We believe we have found an outstanding individual to lead this company into the future," says FRC Chairman Herb Holzapfel. "Frank brings a wealth of experience in management with both private and cooperative businesses."

Bragg previously served as president and CEO for MBG Marketing, a North American blueberry marketing cooperative of 365 members. Prior to that, he was vice president of the Citrus Juice and Oils business for Sunkist Growers. He also served as president and COO for Mauna Loa Macadamia Nut Holdings of Irvine, Calif., and spent 12 years with Blue Diamond Growers in Sacramento, where he held executive positions in operations and business development.

Bragg completed graduate programs at both the University of Missouri and Stanford University.

NCBA videos explore thriving food co-ops

The National Cooperative Business Association (NCBA) is inviting the public to join a cross-country tour of the nation's most vibrant food co-ops, from California to Vermont, via a new video series that "highlights the people, personalities and passion fueling today's food co-op renaissance."

The program, "Lights, Cameras, Co-ops," is hosted by Top Chef finalist Kevin Gillespie. The video series has been designed to be fun and fast paced to get people "fired up about food, community and the passion we share for our favorite co-ops," NCBA says. Gillespie is an advocate for using locally sourced, organically grown ingredients found at neighborhood food co-ops across the nation. To view the program, visit: <http://strongertogether.coop/premiere/index.html>.

Co-ops and trade focus of WIIT

Cooperatives and their role in agriculture trade were in the spotlight at a recent meeting of the Association

of Women in International Trade (WIIT) in Washington, D.C. Providing the organization's Agriculture Committee with a "co-op-eye view" of

current trade issues were Julian Heron, general counsel for Blue Diamond Growers; Alex Serrano, director of business development at the National Cooperative Business Association/CLUSA International Program; and Lisa Knight, president and general counsel for Cooperatives Business International.

The speakers discussed successes and challenges facing co-ops when exporting their products. Heron described Blue Diamond's role in helping to make almonds one of the nation's leading farm exports and addressed the challenges of dealing with a large number of trade agreements when exporting almonds to dozens of foreign markets. Serrano discussed his organization's role in creating partnerships between small- and medium-sized U.S. cooperatives and co-ops in developing nations. The links being forged are promoting a greater two-way flow of agricultural products.

The Association of Women in International Trade is a professional association of members who share an interest and expertise in international trade. Members are engaged in a variety of international trade careers, including business, U.S. and foreign governments and nonprofit organizations.

OCDC names Hazen executive director

The U.S. Overseas Cooperative Development Council board has named Paul Hazen as its executive director. Hazen, who started the job Feb. 1, brings more than 30 years experience in international and domestic cooperative development to the organization.

"Paul brings to the organization a wealth of cooperative experience and an in-depth knowledge of cooperative international development. This year will be particularly exciting for OCDC, its members and Paul as we launch the International Year of Cooperatives," says OCDC Board Chair Tom Verdoorn of Land O'Lakes Inc.

Hazen recently stepped down as president and CEO of the Washington, D.C.-based National Cooperative

Cherry Central adds Canadian member

Cherry Central Cooperative Inc., in Traverse City, Mich., has added a new cooperative member – Norfolk Cherry Co. Ltd, of Simcoe, Ontario – effective May 1. "The addition of Norfolk Cherry Company Ltd. to the membership will broaden the cooperative's geographic representation of tart [sour] cherry production, thus offering more flexibility in satisfying our customers' needs," says Cherry Central President Richard Bogard.

Ryan Schuyler, spokesperson for Norfolk Cherry, says joining Cherry Central will enable it to provide better service to its customers. Formed in 1974, Norfolk Cherry is the largest sour cherry processor in Canada.

"We are always looking for the right fit for Cherry Central Cooperative," Bogard says. "It is not about growth necessarily, but more about whether it makes sense to our current producers and customers. If we can clearly see the value and we see the opportunity for success for both companies, then it



Processing tart cherries at a plant of Cherry Central Cooperative, which has just expanded by adding a Canadian co-op to its membership.

is a natural fit, as is the addition of Norfolk Cherry to the cooperative."

Cherry Central Cooperative, formed in 1973, is a federated marketing cooperative representing grower-owned processing plants across North America. It is a global marketer of frozen, canned, bottled and dried products. The cooperative was recognized by the Michigan Department of Agriculture as its 2005 and 2010 Michigan Agriculture Exporter of the Year. ■

Business Association (NCBA), the nation's oldest national cooperative organization. Under Hazen's leadership, NCBA's international cooperative development portfolio grew from \$8 million annually to more than \$30 million. In 2001, he was named CEO Communicator of the Year by the Cooperative Communicators Association.

OCDC brings together organizations committed to building a more prosperous world through cooperatives. Its mission is to champion, advocate and promote effective international cooperative development. OCDC members are global leaders in cooperative development in Africa, Latin America and Asia. With projects in more than 70 countries, OCDC members implement the largest portfolio of cooperative development programs in the world.

NMPF supports USDA school meal standards

The National Milk Producers Federation (NMPF) has issued a statement in support of USDA's updated school meal standards that continue to stress the nutritional benefits of low-fat and fat-free milk and dairy products. A final version of those standards was released by USDA following more than a year of public comment and review.

NMPF submitted comments to USDA last April focusing on the nutrient package of milk and dairy foods, which will continue to be a core component of school meals, with fluid milk being offered at all meals. "The updated nutrition standards require that low-fat or fat-free milk remain a part of every school meal," NMPF President and CEO Jerry Kozak said. "That's essential, given that milk is the single largest contributor of nutrients in kids' diets. A single glass of milk delivers a very affordable package of nine essential nutrients important to good health, including calcium, potassium, phosphorus, protein and vitamins A, D and B12."

Wisconsin co-ops announce merger plan

United Cooperative, Beaver Dam, Wis., has signed a letter of intent to allow a subsidiary to pursue a merger with Cooperative Services, Denmark, Wis. Ballots were mailed to Cooperative Services' members in February. If approved, the merger will take effect April 1.

Cooperative Services projects its revenue for fiscal 2012 will be in excess of \$29 million. The co-op has feed, grain and agronomy divisions, as well as a Cenex convenience store and an automotive shop, all in Denmark.

United Cooperative, with facilities throughout Wisconsin, had \$525 million in sales in 2011, up \$200 million from 2010 due to strong internal growth. As of Feb. 1, United Cooperative also merged with Shawano, Wis.-based Mid-County Cooperative and Pulaski Chase Cooperative, in Pulaski, Wis.

IDEA to help African dairy co-ops

Land O'Lakes International Development has launched the International Dairy Enterprise Alliance (IDEA), a learning network designed to provide dairy cooperatives in developing countries with the information, resources and technology they need to thrive and be competitive in national and regional markets. Created as a core component of Land O'Lakes Cooperative Development Program (CDP), which is being funded by the American people through the U.S. Agency for International Development (USAID), the IDEA network is comprised of cooperatives, development and research organizations, input suppliers, governments and nongovernmental organizations and other private sector partners.

"Our goal with IDEA is to provide a mechanism for cooperative managers and leaders to network with dairy stakeholders around the globe. A key feature of the cooperative model is learning and sharing," explains Rebecca Savoie, Land O'Lakes International

Development's practice manager for Enterprise, Cooperative and Association Development. "Instead of competition, we want to create an environment of collaboration where members can share unique best practices, technology and innovative solutions to shared dairy industry and cooperative issues."

Learning and networking are central to IDEA, so Land O'Lakes has planned a Cooperative-to-Cooperative Learning Series, which will bring together industry thought leaders, cooperative managers and board members to share their experiences and knowledge. The inaugural Cooperative-to-Cooperative Learning Series took place Feb. 28-March 1 in Nairobi, Kenya. It was co-sponsored by Cooperative Resources International (CRI), a cooperative focused on animal breeding that also receives CDP funding through USAID. The event included more than 40 participants representing 25 cooperatives from nine countries.

In addition to the Cooperative-to-Cooperative Learning Series, which will also host an event in India in 2013, IDEA will develop a "knowledge-management portal." The portal will provide a forum for IDEA members to collaborate and share strategies and tools.

Mark Ventry to lead Ontario Co-op Assoc.

Mark Ventry has been selected as executive director of the Ontario Cooperative (On Co-op) Association. Ventry, who assumed his new duties March 2, had been acting executive director.

"The hiring committee was impressed with Mark's strong cooperative and credit union background and his commitment to continuing On Co-op's leadership role in the Ontario cooperative sector," On Co-op Board Chair Barry Hannah says. "Cooperatives are riding the wave of the United Nations International Year of Cooperatives, and we have ensured that On Co-op has a strong team in place to continue that momentum well into the future." ■

Utility Co-op Connection

continued from page 15

facility. Feuerberg says that as wood decomposes, one of the byproducts is methane, which is “24 to 25 times worse for the environment than carbon dioxide. One of the major attributes of this facility is that it will be carbon neutral — it will not add more carbon dioxide to the environment than what is released naturally.”

Ash, another byproduct of the plant, can be returned to the forests as fertilizer, he said.

Construction of the plant, which is expected to cost \$178 million, is on schedule. Funding includes a \$90 million loan from USDA's Rural Utilities Program, equity funds and state and federal grants. NOVEC will begin testing the plant in 2013, and by

September the plant is expected to begin commercial operation.

“The sun doesn't always shine and the wind doesn't always blow,” notes Feuerberg. “The relative economies of wood biomass are less expensive than solar and wind energy.”

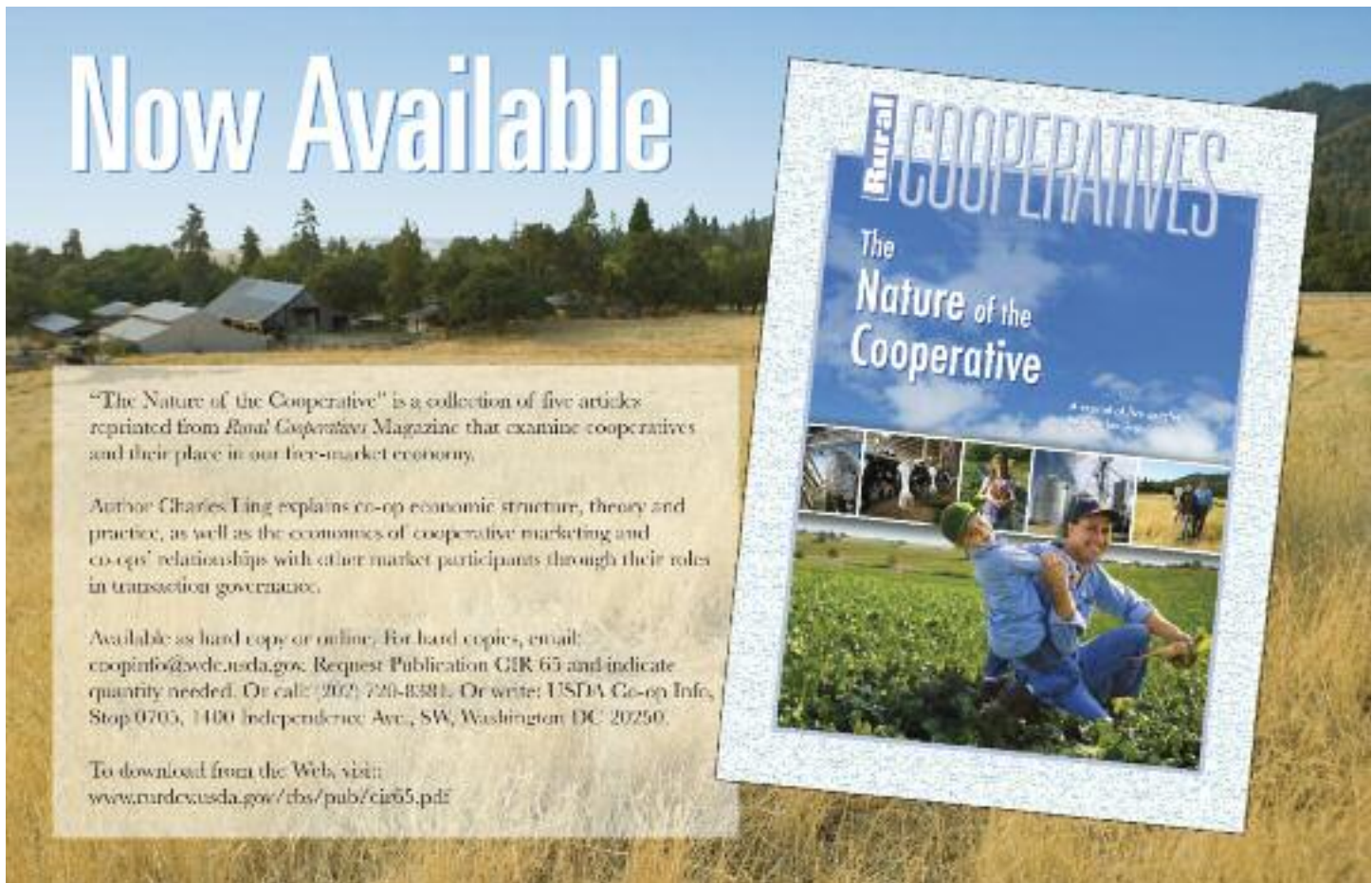
Feuerberg says that reliability was a key factor in selecting biomass as a renewable fuel source. “If you're operating near peak capacity on a hot, humid summer afternoon, you cannot be certain of meeting system demand with wind or solar as the source. Virginia does not yet have renewable-energy mandates, but we're anticipating a federal renewable standard. Our goal is to be ahead of the curve. Trying to catch up to a standard can be costly. This is another way to diversify our resource mix.”

Response by NOVEC members, many of whom have encouraged greater use of renewable energy, has been positive.

Did being a cooperative facilitate approval of the project? “Our board members recognized this was an easy decision to make after hearing from our members through our survey process,” Feuerberg says. “The feedback indicated that many members link environmental stewardship with good corporate citizenship.”

Feuerberg contends that further evidence of the project's popularity was when they held regulatory hearings, no opponents testified.

“There are so many favorable attributes associated with this project that it was a simple decision,” Feuerberg explains. “We have satisfied our customers' expectations, added renewables to our portfolio and diversified our resource mix in the process. We've become more competitive, provided jobs and helped improve the local economy.” ■



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