

Rural COOPERATIVES

March/April 2015



A
PLACE
OF
PLENTY

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Commentary

Helping Vets Transition into Agriculture

By William J. Lipinski,
Chief Executive Officer
Farm Credit East

Editor's note: *The Farm Credit System (FCS) is a federally chartered network of borrower-owned lending institutions, comprised of cooperatives and related service organizations. It is the leading lender to U.S. farmers, ranchers and agricultural cooperatives, with more than \$217 billion in loans. FCS includes 78 local, direct-lending associations, serving all 50 states and Puerto Rico.*

Veterans leaving the U.S. Armed Forces have sacrificed much for their country during their years of service. Whether in combat in foreign lands such as Afghanistan and Iraq, plying the waters of the Pacific Ocean aboard an aircraft carrier or doing essential logistical support work on a domestic military base, all veterans deserve our appreciation for their efforts to ensure our nation's security.

The men and women of our armed forces have also developed the skills and work ethic that can help ensure that America remains the world leader in food and fiber production. That's why the Farm Credit System and many of our nation's other agricultural cooperatives are committed to programs that help returning vets get started in farming or related agriculture careers.

Pete Frizzell is leading this effort at Farm Credit East. He began his Farm Credit career in 2009 and today works with Crop Growers LLP as a Northeast marketing agent, serving customers throughout New England and Long Island. Prior to Farm Credit, Frizzell served in the United States Army as a paratrooper and infantryman, concluding his service as a staff sergeant.

He served four years on active duty, stationed in Vicenza, Italy, with the 173rd Airborne Brigade and then in Ft. Lewis, Wash., with the 2nd Infantry Division. Following active duty, Frizzell enlisted in the Connecticut National Guard and served as a squad leader with the 29th Infantry Division, during which time his unit deployed to Afghanistan in



Pete Frizzell, in combat gear and today, in his post-military career at Farm Credit. Photos courtesy Farm Credit East

support of Operation Enduring Freedom VII.

This experience has proven invaluable as Frizzell today serves as Farm Credit East's veteran liaison, working with veterans interested in entering agriculture.

"I think veterans can have an important role in agriculture — both as farm owners and employees," he says. "Most veterans have strong self-motivation and the dedication necessary to be successful."

In April 2015, Farm Credit East will partner with the Farmer Veteran Coalition to host a farmer veteran workshop to cover business planning for agriculture start-up businesses and to provide networking opportunities for these new farmers. For more information on these workshops, visit: FarmCreditEast.com/FarmerVeteran. You can read more about Farm Credit East's work with vets on page 22 of this magazine.

Farm Credit East also has other programs that can help veterans and other beginning farmers. These include:

- **Young, Beginning, Small and Veteran Farmers Incentive program (YBSV)** — This program offers discounts on services — such as farm accounting software, tax preparation, consulting and appraisal — for up to five years. These customers also receive payment on guaranteed loan

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Volume 82, Number 2
March/April 2015

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

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

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This publication was printed with vegetable oil-based ink.



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ON THE COVER: The Glut Food Cooperative in Maryland offers an amazing array of healthy foods in an area that has otherwise been labeled as a food desert. Co-op worker-owners and volunteers gathered here, from the left, are: Shauntrice Martin, Tony Green, Fifi Anderson and Judy Davis. Story on page 12. USDA photo by Lance Cheung



Global co-op economic clout tops \$2.6 trillion

By Alan Borst, Ag Economist
USDA Cooperative Programs

The 2014 *World Cooperative Monitor* was officially released at the International Summit of Co-operatives on Oct. 28. This third edition, analyzing data from 2012, aims to give visibility to cooperatives from around the world.

Among the world's cooperatives with revenue of more than \$100 million, those from the United States had the largest share, with 26 percent of total revenue. This set of large U.S. cooperatives had combined revenue of \$669.8 billion out of the global total of \$2.6 trillion.

The *Monitor* reported that revenue of the largest 300 cooperatives grew by 11.6 percent, to reach \$2.2 trillion in 2012. That's equivalent to the gross

percent), banking and financial services (4 percent), health and social care (1 percent), and "others" (2 percent).

The *Monitor* publishes cooperative statistics to show the global presence and viability of this business model as an alternative to the traditionally dominant, investor-owned business model. It provides a unique and valuable overview of the world's largest cooperatives.

"The importance of the *World Cooperative Monitor* cannot be understated," Dame Pauline Green, president of the International Co-operative Alliance, says in a post on the *Monitor's* website. "Not only is it a crucial tool which we can use to raise the profile of cooperatives to policy-makers and industry professionals, but it also provides an incredibly useful starting point for researchers and academics alike. The new 2014 version,

economy. Cooperatives have been given a precious tool which I strongly encourage them to use to demonstrate how important our enterprise model is." She says it is encouraging that more cooperatives from Asia and Africa have completed the survey this year.

U.S. has 24 co-ops in top 300

Out of the *Monitor's* top 300 cooperatives, there were 24 U.S. rural cooperatives (agricultural and electric) with total revenue of nearly \$114.4 billion. This amounted to 5 percent of total top 300 revenue, or about 10 percent, excluding insurance and banking cooperatives.

The U.S. rural cooperatives ranking and revenue (in billions of dollars) on the top 300 list are:

- CHS Inc., 12th place, \$40.6 billion revenue;
- Land O'Lakes, 37th, \$14.12 billion;

With \$2 trillion in annual revenue among the 300 largest co-ops alone, this sector is a major, global economic force.

domestic product (GDP) of Brazil, the 7th largest economy in the world. The report was produced by the European Research Institute on Cooperative and Social Enterprises (Euricse) on behalf of the International Co-operative Alliance (ICA).

The top 300 cooperatives are active in the following economic sectors: insurance (41 percent), agriculture and food (27 percent), wholesale and retail (20 percent), industry and utilities (5

percent), banking and financial services (4 percent), health and social care (1 percent), and "others" (2 percent). The growth of the largest cooperatives in the world to be sustainable, even in the face of difficult global economic conditions.

"Before the existence of the *Monitor*, data on cooperatives was patchy at best," she continues. "But now we have strong empirical evidence that our movement is a global economic player with an important stake in the world's

- Dairy Farmers of America, 44th, \$12.14 billion;
- Growmark, 53rd, \$10.06 billion;
- AGP Inc., 104th, \$4.92 billion;
- California Dairies, 148th, \$3.24 billion;
- Darigold, 184th, \$2.46 billion;
- Southern States, 200th, \$2.29 billion;
- Basin Electric Power Cooperative, 221st, \$1.92 billion;
- Associated Milk Producers, 240th, \$1.78 billion;

- Countrymark, 246th, \$1.74 billion;
- South Dakota Wheat Growers, 249th, \$1.69 billion;
- Ocean Spray, 252nd, \$1.66 billion;
- Prairie Farms Dairy, 254th, \$1.65 billion;
- Foremost Farms USA, 256th, \$1.64 billion;
- Dairylea, 262st, \$1.59 billion;
- American Crystal Sugar, 276th, \$1.48 billion;
- MFA Inc., 278th, \$1.47 billion;
- Innovative Ag Services, 280th, \$1.45 billion;
- Oglethorpe Power, 291st, \$1.32 billion;
- MFA Oil Company, 292nd, \$1.31 billion;
- Maryland & Virginia Milk Producers, 294th, \$1.30 billion
- Farmers Cooperative Company, 297th, \$1.28 billion;
- Tri-State G&T Association, 300th, \$1.26 billion.

There were 1,926 cooperatives from 65 countries in the database used for the 2014 *Monitor*. Of these, 1,313 from 50 countries had revenue of more than \$100 million.

U.N. stresses importance of co-op statistics

Two United Nations officials — Simel Esim of the U.N.’s International Labor Organization’s (ILO) Cooperatives Unit and Theo Sparreboom of the ILO’s Statistics Department — spoke to the *Monitor* about the importance of maintaining cooperative statistics. “Statistics on cooperatives are essential to quantify and analyze the impact they have on their owner-members and on the economy as a whole,” they say. “They can provide evidence, for example, on how cooperatives fare in comparison with other economic units throughout economic cycles, and with respect to employment and income. Statistics on cooperatives also help to better understand how different business models impact on communities and

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F.1 COOPERATIVES BY COUNTRY



F.2 COOPERATIVES BY SECTOR OF ACTIVITY



GRAPHIC COURTESY WORLD COOPERATIVE MONITOR

Over 100 million U.S. dollars (USD)

LOOKING AT THE COOPERATIVES WITH A TURNOVER 100 MILLION USD



F.3 COOPERATIVES WITH TURNOVER OF OVER 100 MILLION USD BY COUNTRY



GRAPHIC COURTESY WORLD COOPERATIVE MONITOR

Focus On: Seafood Producers Cooperative

‘One Hook, One Fish at a Time’ philosophy helps Alaskan co-op sustain fisheries



Fisherman and board member Don Seesz is one of more than 575 members who have united in the Seafood Producers Cooperative (SPC). Each fish is handled individually and immediately cleaned while onboard to ensure the highest quality and freshness. Photos by Dan Lamont, courtesy SPC



More than 70 years ago, a group of halibut fishermen realized that the best way to ensure that their products were “delivered with quality, from ocean to market” was to process their own fish instead of depending on the services of agents and distributors. They formed what would become one of North America’s oldest and most successful fishermen’s cooperatives.

Today, more than 575 fishermen belong to Seafood Producers Cooperative and roam the waters of the North Pacific, catching fish by hook-and-line methods.

What started in 1944 as a cooperative to provide halibut liver oil to vitamin companies has now become a full-fledged organization that provides premium-quality seafood to high-end food service and retail industries around the world.

The co-op’s main processing plant is in Sitka, Alaska, although it has “out-ports” in other parts of Southeast Alaska, Washington and Northern California. The co-op’s business offices are in Bellingham, Wash.

Of the co-op’s 575 members, 397 call Alaska home, and 216 of these have Sitka as their mailing address. Another 100 members winter in Washington while about 75 do so in Northern California. Some members winter in places as far away as Vermont and Florida.

SPC has 10 employees in its Bellingham sales office and 15 employees at its processing plant in Sitka, where it also hires a number of seasonal workers.

The following Q&A provides an overview of some of the issues facing their industry and how the co-op helps its members.

Q. It has become increasingly hard for young producers to get started in farming and ranching. How about for commercial fishing?

A. A common problem in the seafood industry is the “greying of the fleet.” There are a number of obstacles facing a young person wanting to get started in commercial fishing. These include the high costs of investing in a boat, liability issues, the uncertainty of fisheries and the hard work involved in fishing.

While the “greying of the fleet” is certainly an issue for our cooperative and most other fishermen’s organizations, we had a large number of younger members join the cooperative during the past year or so, giving the co-op new life. Most of our members are men, but there are a growing number of women.

Many of our members fish with family, either as husband-wife teams, and/or with their children. Others hire deck hands while a number of our members fish alone, enjoying the special connection they have with the ocean.

To read the stories of some of the co-op fishermen, please visit:

- <https://alaskagoldbrand.com/fisherman-spotlight/>
- <https://alaskagoldbrand.com/get-fish-fisherman/>
- <https://alaskagoldbrand.com/strictly-a-salmon-troller/>.

Q. Where do your members fish? Are they mostly based in one port?

A. The majority of our salmon (king, coho and keta) are harvested in the waters of Southeast Alaska, along with our halibut, sablefish (black cod), ling cod and rockfish. We have a number of members who catch albacore tuna off the coasts of Washington and Oregon. Members catch our California Gold™ king salmon off the coast of Northern California.

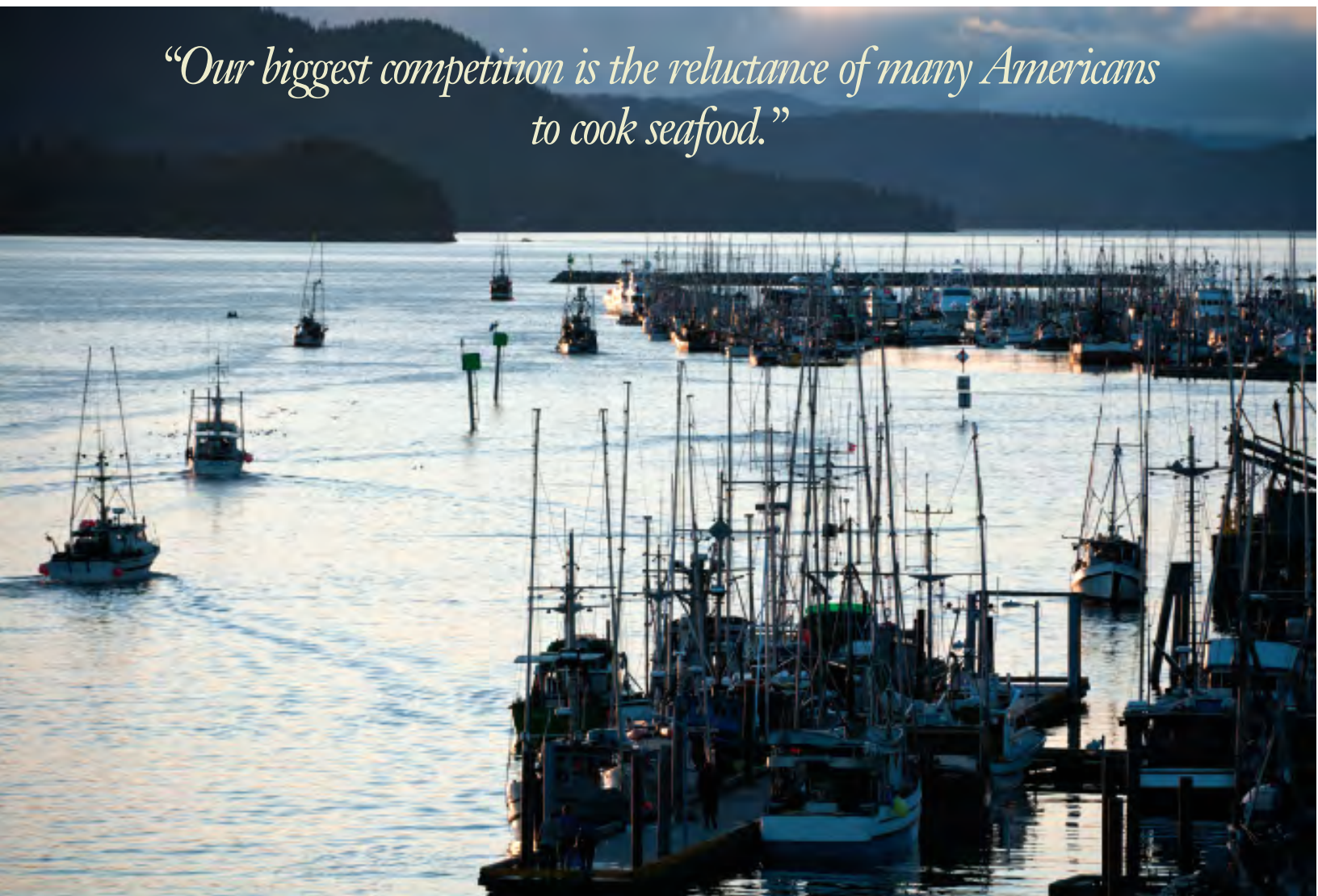
Q. Who, or what, is your primary competition?

A. In many ways, our biggest competition is the reluctance of many Americans to cook seafood. A big misconception among consumers is that it is difficult to prepare seafood (see sidebar, page 11).

There were near-record sockeye salmon catches in Bristol Bay this year, which puts pricing pressure on our coho salmon. Coho salmon is arguably the most versatile salmon,

The harbor of Sitka, Alaska, where Seafood Producers Cooperative (SPC) has a state-of-the-art processing facility.

“Our biggest competition is the reluctance of many Americans to cook seafood.”



regarding the many ways it can be prepared and served. But it's hard to ignore the dwindling prices of sockeye and the impact that has on us. People seem to be more familiar with sockeye, as its deep red color makes it more recognizable for the typical consumer.

Farmed salmon, imported from places like Chile and Norway, drive salmon prices down, though we don't compete directly with farmed salmon — what we're offering in the market is a completely different product.

Q. How and where do you market your catch? Do you have brand names?

A. We have three main brands that we promote. Our SPC™ sablefish (black cod) is known as the highest quality black cod available among buyers in Asia. Our Alaska Gold™ salmon and halibut and California Gold™ brands are well known domestically. We also sell our fish in Europe, where a number of retailers and smokers recognize the quality of our fish.

Q. Why does a co-op business make good sense for a fisherman?

A. In a nutshell, a fisherman will get the fairest price when he or she delivers to the co-op — which is the fishermen's own organization. It is very rare that fishermen can concentrate

both on fishing and on selling their product, and do both jobs well. Working with a co-op that processes, packages and sells the fish allows members to share the costs and maximize the dollars that end up in the fisherman's pocket. A co-op also maximizes returns on fishermen's catches vs. what they'd make on their own.

Fishermen who sell on their own face three problems:

- Who will process and package the fish?
- How will they produce the volume needed to assure customers of a reliable supply?
- How can they get enough money to solve the first two problems?

This is where a fishermen's co-op comes in. A co-op allows fishermen to do what they do best: catch fish. A co-op can invest in processing and packaging facilities. A co-op can achieve enough scale so that customers don't "run dry." A co-op provides a safety net by allowing members to pool together and negotiate for better prices for common needs, such as vessel insurance and fishing gear.

Co-ops have a unique way of doing business that offers fishermen the best of both worlds, giving them the opportunity to work independently while also providing a space to pull their resources together to achieve bigger goals.

At the end of the day, the reason we have members who enthusiastically join the co-op is that their fish reaches a

By joining forces in a co-op, fishermen lower their processing costs and ensure access to a much larger market than they would on their own. Here, members of the Halvorsen family fish for albacore tuna.





Like all co-op members, fisherman Jay Skordahl and his son, Andrew, are committed to fishing in a way that ensures the sustainability of their fishery.

larger market than it would if they were working on their own. They get the fairest price for their hard work.

Q. Describe some of the ways your co-op and its members demonstrate commitment to maintaining the sustainability of your fishery.

A. Our members fish using hook-and-line methods, which minimize the “by-catch” (the catching of non-target fish species or sizes). Hook-and-line methods are the opposite of mass extraction methods — there is a tremendous amount of respect for the fish when the fisherman handles one fish at a

time. As a result, we produce a quality product using more sustainable methods.

Our fishermen/members are examples of what Dan Barber writes about in *Third Plate: Field Notes on the Future of Food*. “Wild fish did not come into this world just to be our food,” Barber writes. “They came into this world to pursue their own individual destinies. If we hunt them and eat them, we must hunt them with care and eat them with the fullness of our appreciation.” Our members’ use of traditional hook-and-line methods respects the quality and uniqueness of each fish. Our motto is: *One Hook, One Fish at a Time*. This means that we catch, process and put the fish on ice within minutes of being caught. Once you see our fishermen in action and taste the results of a line-caught salmon from SPC, we think you’ll be hooked.

Alaska is a world leader in sustainable fisheries. Maintaining sustainable fisheries is even written into the state constitution. The Alaska fisheries within which our members fish are carefully managed by biologists so that our members’ grandchildren can fish the same way that we do. That, to us, is the definition of sustainability. In addition, some of our members participate in marine debris clean-ups. To learn more about this effort, see this blog post: <https://alaskagoldbrand.com/dick-currant-fv-cherokee/>.

Q. Describe the code of fishing ethics your members subscribe to.

A. Our code of ethics starts with quality. Our mission statement reads: *The mission of Seafood Producers Cooperative is to maintain an opportunity for quality-oriented fishermen to participate in a cooperative organization that provides processing, marketing and support services which will allow members to maximize the benefits of their fishing efforts and provide the consumer with the highest quality seafood possible.*

At the heart of everything we do is the overriding concern for “maintaining a top-quality product, from ocean to

market.” Quality is the keystone of our mission.

Q. What are some reasons consumers should consider buying their seafood from a co-op?

A. For starters, when you get fish from a fishermen’s co-op, you get the fish

offering quality wild fish and responsible stewardship of the ocean.

Q. Is the technology used by the industry changing?

A. Although we use traditional hook-and-line methods, most of our fishermen’s boats are equipped with

members are invited. We have 12 democratically elected fishermen board members. There are various committees over which our fishermen/members preside. These committees include: Audit and Finance, Legislative, Sales/Marketing, Longline, Packers/Outports, Member Public

“Alaska fisheries are carefully managed by biologists so that our members’ grandchildren can fish the same way that we do.”

from a fisherman. If the co-op has a good year, the fishermen, who are our shareholders, are the ones who benefit. You could walk to the docks and get some fish directly from a fisherman. But with the co-op, you’ll know we will consistently have product available and that we have consistent quality standards.



An increasing number of women are joining the co-op. Photo courtesy Alaska Seafood. Facing page: Don Seesz with his latest catch. Photo by Dan Lamont, courtesy SPC

Q. Are there any major environmental issues facing your industry? Any regulatory issues on your radar?

A. Alaska has been experiencing some very good salmon returns. However, managing quotas for halibut, for example, is tricky. There are a lot of “politics” involved. And there are mining and oil drilling operations that can threaten our fisheries.

Fortunately, Alaska has had the foresight to understand that the Alaska seafood industry has a huge, positive impact both on the state economy and on the U.S. economy as a whole.

Our co-op is ruggedly American. In an age when 91 percent of the seafood Americans eat comes from abroad — most of it farmed and often produced using questionable labor practices without regard to sustaining fisheries — Seafood Producers Cooperative is still following its 70-year commitment to

laptop computers for navigation. More members are equipping their boats with freezers so that they can blast-freeze fish at sea, producing the freshest quality available. We’re constantly investing in freezing technologies at the plant, in addition to processing machines.

We start with a great product, but every touch along the way to the customer has to be managed carefully, which requires investing in new technologies. Distribution logistics is always challenging.

Q. Describe the co-op governance system.

A. We have quarterly board meetings and an annual meeting to which all

Relations, Operations, Quality, Scholarships, and others.

Q. Is the co-op very involved in community affairs?

A. We are involved with Nooksack Salmon Enhancement Association (NSEA), an organization that restores salmon habitat here in Bellingham. Our members are also part of advisory boards and advocacy groups, such as

Northwest Fisheries, Alaska Trollers Association and the International Pacific Halibut Commission. We participate in the Winn Brindle Educational Loan. We also have our own SPC scholarships available for members’ families.

Q. Does the co-op have specific goals for the next five years?

A. A big goal is to develop our direct-to-consumer sales via our e-commerce website (www.AlaskaGoldBrand.com). Not just so that the fishermen earn a bit more per pound with direct sales, but so that we can build the co-op brand. It’s important for us that people know the story of our co-op and our fishermen.

Through the website, we also hope to educate people about the benefits of a fish caught on hook and line. One big sales and marketing goal is educating consumers about the advantages

of fish caught this way.

Q. What is the best thing about being a fisherman? The worst? Do you get many multi-generation fishing families?

A. When asked “why are you a fisherman,” a common response is that they like the freedom. There is nothing like being your own boss.

As it is for any agricultural producer, the worst part about being a fisherman is being at the mercy of Mother Nature, the vagaries of the economy, currency fluctuations and political issues. We believe it is better when our fisheries are managed by science, rather than dictated by politics. Alaska strives for a science-first approach.

We have a number of families involved in the co-op, including a large number of husband-wife



teams and father-son teams. If you're the son or daughter of a member, it's safe to say you spent at least a few summers on the boat. Many of our members come from families that represent multiple generations with the cooperative. The Eliasons are a great example of a multi-generational fishing family belonging to SPC. They represent three generations as members. ■

Key to boosting seafood consumption: *Keep it simple!*

Americans are a truly great people, but they have one serious flaw. They don't eat enough seafood! At least that's a fishing cooperative's point of view. Indeed, U.S. consumption of seafood is dwarfed by chicken, beef and pork consumption.

Consumers have to deal with a number of “confusing messages” about seafood when shopping, says Kendall Whitney, marketing manager for Alaska's Seafood Producers Cooperative (SPC). “One of our biggest challenges is to convince consumers of just how easy it is to cook fish. Too many Americans are intimidated by cooking seafood. We believe this is a major reason why seafood consumption is so low on a per capita basis in this country.”

Over the past two decades, per capita consumption of seafood products in the United States has ranged from a low of 14.6 pounds per person in 1997 to a record high of 16.6 pounds in 2004, Whitney notes. Since 2004, U.S. annual consumption of fish and shellfish has gradually decreased, to 14.5 pounds per person in 2013. For comparison, U.S. annual per capita consumption of other major food commodities is: red meats, about 110 pounds; poultry, nearly 75

pounds; dairy products, over 600 pounds; vegetables, over 400 pounds; fruits, over 250 pounds; flour and cereal products, almost 200 pounds.

“While seafood, like salmon, is a great source of Omega-3s — which have been shown to be both heart- and brain-healthy — our consumption of fish is relatively low,” says Whitney. “Most of what we get is imported, and a lot of that is caught illegally and/or mislabeled, of poor quality and not from sustainable fisheries. This is a shame, because Alaska is one of the premier fisheries in the world and is a pioneer in sustainability. We believe that the low seafood consumption here is due to misunderstanding of seafood and how to prepare it.”

When working with quality meats, like seafood, the beauty is in the simplicity, he continues. “Most of us in the co-op use simple recipes for cooking fish. Nothing fancy. Minimal seasoning.”

A fish shouldn't taste or smell “fishy,” Whitney stresses. It should have a slight smell and taste of the sea.

“SPC fish tastes like a pleasant ocean breeze and doesn't require any fancy preparation to cover up its natural flavor. Too often, people experience a ‘fishy tasting’ fish and give up on seafood, or they only eat it on special occasions.

“More people these days also want to know where their fish comes from and how it got to them. We provide those answers via our website at: www.AlaskaGoldBrand.com.” ■



More *Than a Store*

*Glut Cooperative's
'operation by consensus'
can be intense, but ensures
members' long-term
commitment*

By Thomas W. Gray and Shauntrice Martin
USDA Photos by Lance Cheung

Editor's note: Gray is a rural sociologist with USDA's Cooperative Programs; Martin is a worker-owner of Glut Cooperative. The authors welcome feedback on this article: thomas.gray@usda.gov and/or shaun.glut@gmail.com.



Glut Cooperative, a worker-owned food cooperative in Mt. Rainier, Md., is located within a food desert and near several other food



deserts in Prince George's County, Maryland, and Washington, D.C. It can thus be viewed as a food oasis in a desert of need.

A food desert is defined by USDA as "an urban neighborhood or a rural

town without ready access to fresh, healthy and affordable food. Instead of supermarkets and grocery stores, these communities may have no food access or are served only by fast food restaurants and convenience stores that

Co-op volunteer Tony Green works quickly to package, weigh, label and deliver cashew nuts to a waiting customer. Green is retired and says he enjoys devoting time and effort to people, as well as the congenial atmosphere of the store.

offer few healthy, affordable food options."

A place of plenty

The founders of the business gave the cooperative the name "Glut" to signify that "here at this location there is a glut of food. Look no further. We have plenty."

While "food desert" has only recently become a commonly understood term, bringing "cheap, wholesome food into the city" for poor and lower income people has been a central objective of Glut Cooperative for more than 45 years.

When the cooperative opened in 1969, its early operations involved serving as a supply source for a series of local buying clubs. Its mission was to bring greater food security to its member-families. Demand was high from the start, and the cooperative opened its doors to the general public in 1971, after just two years of operation.

Cooperative offerings

The cooperative offers a broad range of fresh fruits and vegetables, grains, beans, nuts, seeds, cheeses, coffee, herbs and spices, as well as health and beauty products, food supplements, vitamins and sundries. The large herb selection brings in shoppers from as far away as Virginia.

In supplying the store, every effort is made to stock products that are organic, locally sourced and/or come from other cooperatives. Gross sales of the store are approximately \$2 million annually.

Governance and workers

Governance and management of the co-op is facilitated with bi-monthly

member meetings. These member-only sessions are held every other Monday throughout the year. Decisionmaking is made through consensus, with each member having one vote. There are currently 11 members. Chairing of the meetings rotates through the membership.

All members are free to bring up whatever issue they please, with the expectation that it will be discussed,

is not a perfect system, but everyone has an equal opportunity to be heard,” Martin says.

“I once had a big conflict with another worker,” she recalls. So they tried to work things out at a co-op meeting. “Usually our meetings are 30 minutes to an hour. This one lasted about two hours. We pretty much just talked it out. There is nowhere else to go here — no HR department to hide

allows for intense, direct involvement of members and creates long-term commitment to the organization.

Labor is provided both by member-workers and customer-volunteers, who earn store credits for their work. However, shoppers are not required to be members nor to participate in the “volunteer for credit” program. Worker-volunteers may apply for membership after gaining experience in



debated and, if necessary, voted upon. Everything from worker tardiness to customer complaints, to worker conflicts, to general management of the store, are handled during these bi-weekly sessions.

During particularly heated conversations, the acting chair may step in to bring order to the discussion. “It

behind. You just have to work things out.”

The frequency of the meetings allows the members to direct and manage the organization without having to hire an over-arching manager. This style of management and governance — i.e., bi-weekly meetings and decisionmaking by consensus —

the store and successfully navigating through the member interview process. This is intended to determine their commitment, reliability and knowledge of the workings of the organization.

Local and regional food system

The store is structured to be a retail point for other cooperatives and/or for



Clockwise from facing page: Felix, age 3, and his mother shop at Glut for the variety, good prices and close proximity to their home – they often walk to it. A co-op member inspects a delivery of broccoli outside the store. With his leash tied to a bench in front of the store, a canine companion greets a passerby while waiting for its master to finish shopping. About 75 percent of the store's produce is organic.



The Glut Cooperative's founders chose the name to signify that "Here there is a glut of food. Look no further. We have plenty."

Joining co-op proved to be Rx for healthier life

Prior to joining the Glut Food Cooperative, Shaunrice Martin was working as an addictions recovery counselor at Phoenix Houses of the Mid Atlantic, a drug rehabilitation clinic in Arlington, Va. It was important work that offered support to people in dire need of assistance. But it was also stressful — very stressful.

"I would be talking with girls who had been abused and were addicts, maybe whose parents were also addicts. After a while, it takes a toll on you. It drained me, spiritually and physically." It finally reached the point where she needed to change careers.

Martin believes that her poor diet also contributed to her frequent illness and generally run-down physical health during that time. "I tended to eat whatever was around — chips, candy, donuts."

Martin had been doing volunteer work at Glut Food Cooperative in Mt. Rainer, Md., for several years, working in

exchange for food credits, when an opportunity arose to join the co-op as a worker-owner.

Despite a significantly lower salary, Martin says it was a move that has made her a happier, healthier person. It was at Glut that she learned about healthy eating, shedding the poor dietary habits that extended back to her childhood in Kentucky.

"We have our issues here, too; it is certainly not perfect. But at the end of each day, I'm happy here," Martin says. Another big plus: the hour-long commute to her old job in Virginia has been sliced to a two-block walk, first to drop off her son at day care, and then another half block to the co-op.

Martin greets many of the shoppers by name as they bustle in and out of the store on a recent weekday morning. One of the aspects of her job that she likes best is being able to advise these customers about nutritional foods and healthy eating habits.

Looking something like an old-fashioned country store, the Glut Food Co-op offers fresh produce, packaged foods, herbs, milk, cheeses and sundries. About 75 percent of the produce is organic, but conventional produce is also stocked, since it is usually somewhat cheaper.

"Tuscarora (see more about it on page 18) is one of our best produce suppliers. I don't remember ever having a problem

local/regional food businesses. Seasonal produce is sourced from Tuscarora Organic Growers Cooperative, a cooperative of farmers in nearby Maryland and Pennsylvania (see related article, page 18), among others.

Vegan and gluten-free baked goods are purchased from the Maryland Food Collective on the University of Maryland campus. Bulk spices come from Frontier Cooperative, and while not geographically close, it is a cooperative specializing in spice assembly and distribution from Norway, Iowa.

Bulk tofu and organic soy products and various bulk nut butters are

purchased (respectively) from Twin Oaks Community, a cooperative community in Virginia, and East Wind, a cooperative community in Missouri. Several other products are purchased from local, family-owned businesses.

Sustainability

Over its long history of operation, the actions of the Glut Cooperative have anticipated several of the more recent narratives of economic, social and environmental sustainability — what some refer to as the “three-legged stool of sustainability.” (For more on this concept, visit the websites of the Center for Integrated Agricultural

Systems, Madison, Wis., and the Leopold Center for Sustainable Agriculture, Iowa State University.)

Glut seeks to address economic

viability needs by providing low-cost, high-quality food to local residents where few, if any, other alternatives exist (due to food-desert and food-security problems). It does so in a manner that builds community with local residents and with a systems approach that links local and regional producers to Glut as a point of final retail sales.

Great care is also taken to ensure products come from systems that consider the importance of preserving air, water and soil quality while making little, if any, use of non-renewable resources.

In the words of one Glut Cooperative customer: “When, from the future, we look back and explain how we got this far and how we did so well, not as individuals but as a community, [we] will find that Glut was more than a store; it was a historically significant idea.” ■



Despite earning a significantly lower salary, Martin says switching to her job at the co-op has made her a happier, healthier person.

with anything they have delivered to us,” Martin says. Tuscarora supplies Glut with “Pretty, happy produce that customers buy up. And it is very affordable.”

Most of the co-op staff are artists, musicians or have some other side activity or business, Martin says. “This is an artist’s district, and many artists seem to follow a healthier lifestyle. They are also often broke, so they learn to garden and other ways to sustain themselves.”

She, too, is an artist who does portraits, collages, photography, “a bit of everything, really” when not working at

the store. “I just did a show last night in which I used all recycled canvases and materials.” For example, she used old coffee grounds mixed with glue to make a strong adhesive. These are things she learned about from people at Glut.

“This is a community where people want to help each other,” she says. “Here, people actually care about each other.” There is a sense of a larger mission at the co-op than just selling food. The co-op is a vital part of the community and “we need do all we can to support the people who support the co-op,” Martin says.

That spirit was clear during a winter blizzard in 2010, which locals here still refer to as “Snowmageddon.” The storm paralyzed the D.C. area for days. Glut was one of a very few businesses in the area that remained open. It became a lifeline for snowbound residents needing food and sundries.

Since his day care center was closed, Martin brought her son to work with her. “Not too many other businesses will let you do that,” she says. “We came in really early to make sure the walk was shoveled and salted. It is very important that we stay open when it snows so that people have access to food. That’s a good thing about most of us living in the neighborhood — we can walk to work and back home.” ■



By James Barham and Fidel Delgado

Editor's note: Barham is an agricultural economist specializing in local food systems development with USDA's Cooperative Programs office. Delgado is an architect with USDA's Agricultural Marketing Service. This article is a slightly abridged version of a USDA Agricultural Marketing Service report posted on the web at: <http://dx.doi.org/10.9752/CSG206.02-2015>. To obtain hard copies, please contact: Fidel.Delgado@ams.usda.gov.



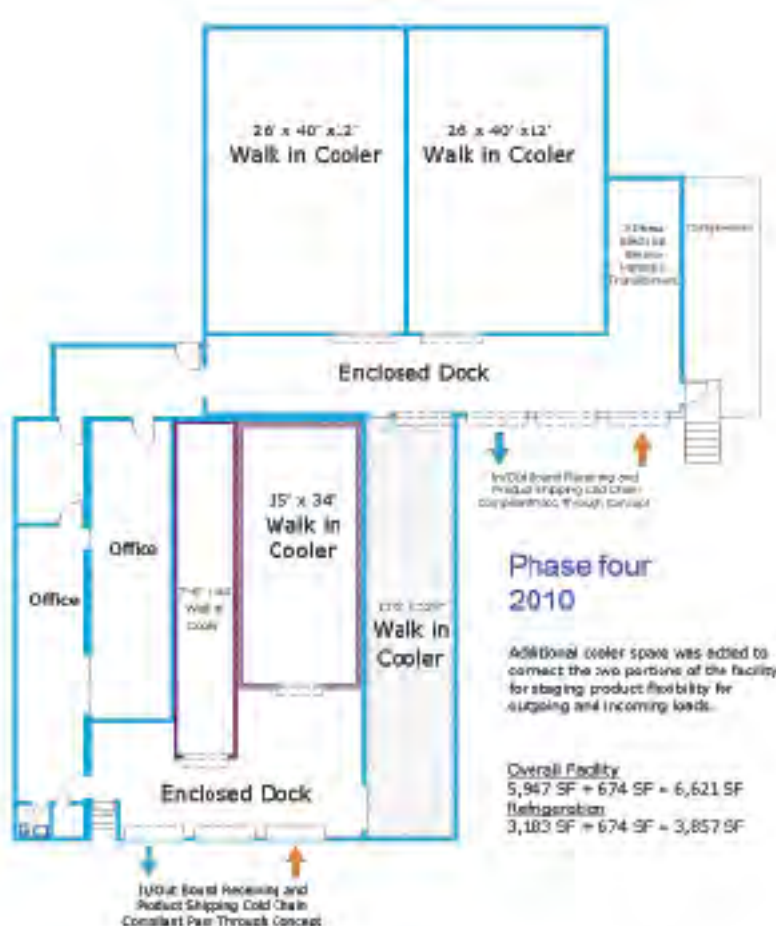
As part of USDA's commitment to supporting the development and growth of food hubs

— including examples of how food hubs manage distribution infrastructure — USDA has worked with Tuscarora Organic Growers to document the development stages of its aggregation and distribution warehouse. Tuscarora is an established cooperative in Pennsylvania, the producer-members of which grow a wide variety of crops.

This case study describes how a food hub can take a “bootstrap” approach to launching a lean, low-cost operation, relying on community equity. Below, we describe the cooperative's solutions to warehouse layout, design and function needs,

Operation Bootstrap

Facility-design case study traces staged growth of Tuscarora Organic Co-op



along with the associated costs of equipment and labor. Our hope is that these insights will assist both new and expanding food hubs in making sound decisions about infrastructure investments.

Co-op overview

Tuscarora Organic Growers (TOG) is a producer-owned cooperative that aggregates, distributes and markets USDA-certified organic fresh produce on behalf of its members to restaurants, retail outlets, farmers markets and community supported agriculture (CSA) organizations in the metro areas of Baltimore, Md., and Washington, D.C.

TOG was launched in 1988 in Hustontown, Pa., by Jim Crawford, the owner of New Morning Farm. The goal was to meet the growing demand from restaurants in the District of Columbia for more fresh, locally grown and organic produce. Since Crawford could not meet this demand on his own, he recruited farmers in his area to join him in establishing a producer cooperative.

TOG has grown from three farmer members and a part-time manager in 1988 to having 44 farmer members (about half of whom are Amish) at present. The co-op employs four full-time staff and 12 to 18 part-time and seasonal employees.

TOG also buys from about 20 non-members annually. The majority of the farmer-members live within 50 miles of the co-op's facility. The majority of buyers are located within 150 miles of the facility.

Markets and sales

TOG currently offers 1,200 produce items — or, in trade lingo, stock

keeping units (SKUs) — to its customers. Half of its sales revenue is derived from restaurants and retailers, such as MOM's organic markets, Whole Foods and various food retail cooperatives, such as the Glut Food Cooperative in the D.C. suburb of



Facing page: Tuscarora's warehouse facility in rural southern Pennsylvania has been expanded in stages, as demand for its organic produce has grown. The floor-space blueprint shows how space is allocated today. Above: some co-op members also market through their own roadside stands and farmers markets.

Mount Rainier, Md. (see related article, page 12). The remaining half of its sales are split evenly between institutional food service buyers, produce distributors, buying clubs and TOG members (seven or eight TOG members buy produce regularly from the cooperative to sell at their farm stands, farm stores or farmers markets).

About 75 percent of TOG's sales revenue goes back to the farmer members, with the remaining 25 percent being retained by the co-op to cover management expenses, such as production planning, storage, sales and transportation costs. In 2013, TOG had \$3.1 million in gross sales from products grown by co-op members. Farmer-members received about \$2.3 million from the co-op. The organization also generated an additional \$1 million in annual gross sales in 2013 from the sale of products non-member farmers.

Food hub services

TOG carries out five primary food hub functions on behalf of its members and non-member suppliers:

1. Distribution and Marketing — TOG offers its members effective sales and delivery services to ensure they have access to a consistent and profitable market.

2. Production Coordination — Co-op management and farmer-members negotiate an agreement in advance of

planting to determine who will be growing certain products for the upcoming season, based on market demand. There is no written contract; farmer-members make a good-faith effort to meet their supply commitments, and TOG management makes a good-faith effort to sell their products on their behalf.

3. Quality control — TOG members are responsible for packing products on their farms. TOG management inspects all products delivered by farmers to ensure they meet the quality standards expected by their buyers. TOG management retains the right to refuse any product from farmer members that does not meet the agreed-upon specifications.

4. **Group purchasing** — TOG purchases inputs — such as boxes, packaging labels, pest control materials, fertilizer and starter plants — in bulk at a substantially lower cost than can be realized by individual farmers.

5. **Knowledge sharing** — Farmer members get together at least twice a year to share production and agriculture-related knowledge with each other.

Distribution logistics

Since its inception, TOG has relied on its farmer-members to sort and pack on-farm, using industry-standard boxes and farm-identifying labels, provided at cost by TOG. With few exceptions, farmer-members are also expected to deliver products to the co-op facility.

Buyers of TOG's products receive a price list and have the opportunity to submit orders twice a week. Orders placed on Friday are delivered on the following Tuesday, while orders placed on Tuesday are delivered on the following Friday. TOG uses anywhere from one to four trucks on delivery days.

Trucks are rented from Crawford, founder and president of TOG Cooperative, who owns a fleet of six refrigerated trucks. Crawford rents his trucks to the cooperative at cost, which helps TOG save on transportation expenses while enabling Crawford to cover some of his overhead when the trucks are not needed for his own farm business.

To use the trucks most efficiently, TOG also offers refrigerated freight service to those farmer-members who produce perishable products — such as eggs and meat — that are not sold through the cooperative.

TOG also works regularly with a trucking company that maintains a warehouse in Jessup, Md., between Baltimore and Washington, and which makes the final delivery to some TOG customers. This company handles about a third of co-op's current deliveries.

Food hub facility and operations

The co-op owns the TOG facility and grounds, located next to Crawford's New Morning Farm in the rolling hills of Fulton County, Pa.

The topography of the facility site is severe. On the east side, the facility abuts the property line; on the west and north boundaries, the land drops off at a steep angle into the flood plain of a river. The facility is only approachable from the southeast, via a winding, part-gravel road 1.8 miles from a paved county road.

Although the entry to the TOG facility is large enough to handle a conventional semi-truck and trailer, there is limited space for maneuvering trucks.

The facility building itself is a wood-frame structure on a concrete slab, built in phases over a 20-year period. It has expanded as needs changed and

used excess storage and trucking capacity from Crawford's farm. In 1992, when the membership doubled, TOG decided to rent a facility about 8 miles from its present location. Due to limited staffing and the difficulty of providing adequate oversight of business operations from a distance, TOG management in 1993 decided to relocate the facility to the property adjacent to Crawford's farm.

Phase One — 1993

In 1993, TOG hired a new manager. At that time, six members, including Crawford, invested about \$7,000 to purchase a used refrigerated trailer and compressor that was incorporated into a shed built around it. The first phase included developing refrigerated storage, a loading area and office space. Additional equipment and materials were either purchased or donated by members on an as-needed basis.

Three-phase power

An easy-to-install, three-phase electrical service system operates behind the scenes to run high-horsepower electric motors at Tuscarora's warehouse. The motors provide power used by fan coil units and compressor motors for the commercial-grade refrigerant systems. This system provides a smoother, more balanced power load.

Three-phase power is 150 percent more efficient than a single-phase electrical power supply. Utility companies prefer three-phase systems for industrial environments because they require less cabling. ■

financing became available. The overall layout of the facility reflects its phased growth, during which rooms were added, as needed.

The facility uses available space efficiently. It has six loading docks without shelters, but with canopies above the overhead roll-up doors.

From 1988 to 1991, TOG did not have a facility. During those years, it

The initial wood-frame building was erected on a concrete slab covering 1,133 square feet, with refrigeration capacity of 374 square feet (via the recycled refrigerated trailer). In 1994, TOG was officially incorporated as a producer cooperative with 14 farmer members. All of the members who had invested in the original structure were

paid back with interest from co-op proceeds.

Phase Two — 1998

In 1998, the co-op raised \$50,000 from the community and customers to finance additions to its facility, which was used to construct the front part of

for the first 16 years of its existence.

Phase Four — 2011

In 2011, a receiving/shipping cooler for staging product was added to the growing business. This 12-by-56-foot addition added flexibility to the

turned over in two days, product flow can be managed so that the cold chain is maintained, ensuring that customers receive the freshest product.

When demand on the facility exceeds capacity, the co-op adds another delivery day to the schedule to

TOG never over-extended its risk threshold and has made infrastructure investments that matched its growth.

the present facility. This phase of development included the addition of three loading docks, more office space, an additional walk-in cooler and an enclosed staging area.

A used cooler was purchased and incorporated into the facility, expanding cooler capacity of the facility to 969 square feet, a 160-percent increase in space.

Phase Three — 2004

With an increase in market demand for its products and more farmers joining the cooperative, TOG made additional investments in its facility. In 2004, the building size was effectively doubled, with the inclusion of a second enclosed dock and two large coolers.

This increased total refrigeration area to 3,183 square feet, which tripled the available cold storage capacity. It also provided the multi-temperature zones needed for optimal handling of a variety of produce items. The cooperative also installed three-phase electrical power to support its refrigeration equipment.

This phase of expansion was financed by two loans totaling \$180,000 (one from the Pennsylvania Progress Fund, the other from a local bank). This phase of development marked the first time TOG had relied on loans to finance its operations. Up until then, the co-op had relied solely on community and member equity to fund its operations

operation, especially for preparation of outgoing shipments. The addition also increased the facility's total refrigeration capacity to 3,857 square feet.

At its present capacity, the facility is cold-chain compliant and can handle products in four different temperature settings, ensuring that TOG's wide diversity of products can be stored at the needed temperature. The final phase of facility development cost about \$60,000, financed by TOG sales revenue.

The Phase Four expansion linked the original structure with the 2004 addition, providing consistent cold-chain staging protection for incoming and outgoing produce. This addition allows TOG to use the "pass-through" concept by having incoming products flow from the front to the back storage area, and for outgoing products to be staged in a controlled-temperature environment.

Facility costs and capacities

TOG's current facility has roughly 10,500 square feet of total space, about 4,000 square feet of which is refrigerated. TOG's annual gross sales (member and non-member) of fresh produce exceeded \$4 million in 2013. At the current sales volume, the facility is meeting the needs of the cooperative.

During peak season (August to October), the facility operates at full capacity. But because product is usually

move products through the facility more rapidly. Even with continued growth, TOG believes that it can find new ways to optimize its space without the need — at least for now — to expand the facility.

Advantages of the 'bootstrap' approach

Tuscarora's "bootstrap" approach to growing its business may hold lessons and provide ideas for similar operations. Growing the business in an organic way, as demand increases, and changing the scale of operations as necessary has helped Tuscarora build a thriving business. TOG never over-extended its risk threshold and has made infrastructure investments that matched its growth. The cooperative ownership business structure has enabled a high measure of member control over investment decisions.

Since the members are also the suppliers for the aggregation and distribution activities, there is good coordination between growth in demand and growth in facility scale and operational characteristics. TOG has continued to add members and has also expanded by purchasing from non-members, always accommodating changes with facility expansion.

This growth pattern has prevented the co-op from building at overcapacity, albeit at the expense of a uniform facility design. ■

By Kristie Schmitt,
Director of Marketing and
Communications
Farm Credit East ACA

Editor's note: This article is slightly abridged and adapted from one that originally appeared in Financial Partner, the member publication of Farm Credit East.



Standing large in front of the United Nations building in New York City, a sculpture bears the inscription: "They will beat their swords into plowshares and spears into pruning shears." For thousands of returning veterans, these words apply.

In 2013, 21.4 million men and women, or 9 percent of American adults, were veterans. The Department of Veteran Affairs anticipates that number will continue to rise.

As these veterans return home and enter civilian life, where are they headed? Many are returning to rural America, and some are entering agriculture.

"Our veterans are a purpose-driven group of people," says Michael O'Gorman, executive director for the Farmer Veteran Coalition. "They don't enter the military because it's easy. They are looking for a challenge and to do something greater than just support themselves. They want to support their families, their communities and the future of our country."

"Veterans have a desire to feed their families and their communities," adds Michele Pfannenstiel, Maine chapter president and coordinator of New England activities for Farmer Veteran Coalition. "They saw the hardships of food insecurity overseas, and when they return home they want to ensure a comfortable, healthy lifestyle for their family and community."



A New Kind of Service

More veterans returning home to a life in agriculture



"Before Iraq, I was a perfectionist," says military veteran Jamie Critelli, seen here tending a crop of poinsettias at his Floral Beauty Greenhouses in Elmira, N.Y. "Now, my family is most important. I value peace and quiet and the satisfaction of watching plants grow." Photos courtesy Farm Credit East

Why agriculture?

Many veterans were raised in rural areas, so agriculture is a familiar lifestyle. Others studied an ag-based curriculum in college, which piqued their interest. Yet others are drawn to the outdoors, working with their hands and making something grow.

John Lemondes, a retired Army colonel, explains: "I grew up near farms and in high school I worked on a farm. Then, in college, I majored in ag science. I was commissioned as an Army officer straight out of Penn State, but owning a farm was always my goal.

"While in the Army, we lived in suburban areas," he continues. "Somewhere between moving from one cul-de-sac to another, my wife and I decided we wanted a rural lifestyle for our three children. That's when we set our goals on owning our own farm. This decision was a huge risk, but as my retirement from the service approached, we were fortunate to purchase a 400-acre piece of land in Jamesville, N.Y."

One of Lemondes' military assignments helped him decide what to do with his 400 acres of open space. "For three years, my team and I were responsible for development of all textile-based individual equipment, clothing and parachutes for the Army. In that position is where I first learned about sheep, wool and textiles." Now he and his wife own a flock of 23 sheep, with plans to grow.

Jamie Critelli, former Army Reserve captain and owner of Floral Beauty Greenhouses in Elmira, N.Y., says he got started in agriculture because he wanted to control his own destiny.

"Before Iraq, I was a perfectionist," Critelli says. "What matters to me now is not what mattered to me before. Now, my family is most important. I value peace and quiet and the satisfaction of watching plants grow. I find there's something therapeutic about putting my fingers in the dirt. And I enjoy the freedom of my day-to-day. Corporate life was not for me."

Farmer Veteran Coalition assists returning vets

Challenges veterans face in getting started in agriculture include gaining access to land and credit and developing the business planning, financial management and entrepreneurship skills needed to own a business.

"Many veterans are interested in getting started; they just don't know how," says Michael O'Gorman. "As an industry, we need to create a network for them. They need support from both veteran and industry groups."

To help fill the industry gap, O'Gorman founded the Farmer Veteran Coalition (FVC) in 2007. "I saw more and more statistics showing the high number of veterans returning to rural America. It seemed the more rural the area, the greater the number of veterans and some of the highest unemployment rates."

The two missions of the FVC are to first help veterans return to rural America and, second, to help those veterans enter agriculture. FVC has developed a network to connect veterans with agricultural employment opportunities. When veterans contact the FVC, their skills and capabilities are assessed, and then they are matched with a farm that fits their skills.

FVC also has veterans on staff to help, including a food safety specialist, a lawyer for legal assistance on setting up a farm, and a financial planner for business and financial planning. Of the FVC's 3,000 members, 242 reside in the Northeast.

"I feel good about directing people into agriculture," comments O'Gorman. "Our veterans are relatively young and have a whole career ahead of them. With the demand for food going up, it's a good time to become a farmer."

To raise awareness of this growing segment in agriculture, the FVC launched the national Homegrown By Heroes program last spring as a means for veterans to market their products as veteran grown. The Homegrown By Heroes label was developed by the Kentucky Department of Agriculture to afford farmer veterans the recognition, pride and consumer support of their agricultural businesses and products.

With the national expansion of this program, any veteran or active duty member can place a Homegrown By Heroes label on their agribusiness signage and/or agricultural products. Since inception last year, 100 veteran farmers have signed up across the country.

Jamie Critelli started labeling his products with the Homegrown By Heroes label in May, and says, "It's not just marketing. It's a positive differentiator. It's a way for consumers to support veterans with more than just words, but with actual product purchases.

"And it's a daily reminder of veterans' service for our country. I've had positive response from the public. It starts a conversation about my service and my product."

As the number of veterans choosing agricultural life continues to grow, so do the benefits for all involved — including the industry, which has much energy to gain from this proud and purposeful new breed of recruits.

Skills made for agriculture

Many skills developed in the military lend themselves to careers in agriculture. “The military is not as regimented as you’d think,” Critelli says. “Often, decisionmaking is delegated to lower levels, allowing for flexibility and quick decisionmaking.

returning to existing operations, with many a generation removed from the farming operation. Many veterans would like to own and farm their own land, but realize they need to build their dream. So they look for jobs on existing operations that pay a living wage and provide the opportunity to

your GI benefits to find training programs and to help with expenses.

He also suggests taking advantage of training or employment on a farm. Then, put together a small, but efficient, team of advisers. The most crucial player on this team should be someone who has actually farmed.

Lemondes can attest to this advice. “It’s not as easy as just buying a farm. Actually, finding a real estate agent competent in purchasing farmland is a challenge,” he says. “And you need to think through the capital expenses. Things that may seem simple take longer than you’d expect. And you need to be prepared for them.”

Critelli agrees that planning is a key piece of the new venture. “Be sure to have a Plan B, C and D, in case something goes wrong, because it will. Agriculture is different from most trades. You’re not going to learn how to farm from a textbook — you need to actually do it. And it’s tough, because you have no set hours and you care for something that’s alive. Farming takes a personal investment of time and resources.

“Looking back, I would have done some things differently,” Critelli continues. “I probably would have started smaller and maintained an off-the-farm job while the business grew. In the early stages, making ends meet was always a worry. But we were persistent and able to diversify to include vegetables in the mix, which helped the business grow.”

Critelli says he’s learned a lot already. “You don’t need to do everything right. You’ll learn from your mistakes. Along the way, I learned to seek strong mentors and hire employees smarter than me. Have a great banker and lawyer — and keep them involved. Network as much as you can and keep that network alive.

“And make sure you have fun. While it’s hard work, the rewards outweigh the risks,” Critelli says. “When you find the niche that you enjoy, go after it.”



While in the Panama Canal Zone in 2011, retired Army Colonel John Lemondes and other War College senior leaders learned about the strategic implications of the Panama Canal Zone and its history. Here, Lemondes examines an old rail car. Today, Lemondes farms in New York.

“After years of training, veterans don’t want to be told what to do. Rather, we want to be told what needs to be done and then figure out the best way to do it.

“We learned how to adapt and work under pressure, often with no back up,” continues Critelli. “We’re trained to persevere against obstacles and see a task through, which I found to be beneficial when I started my greenhouse business.”

Advice from farmer veterans

“Some veterans are just getting started in agriculture, while others are

work with a mentor,” says Pfannenstiel.

Michael O’Gorman agreed. “Take it step-by-step. Getting started is not easy, so don’t jump right in. Farming on your own immediately isn’t the only route. You’ll find lots of employment opportunities in agriculture and ways to be involved part time to learn the trade.”

O’Gorman encourages veterans to do their homework. He advises to first figure out where you’d like to live. If you want to purchase land, study the soil and weather for that area. Look at educational and training programs in farming and entrepreneurial skills. Use



'Together, we will succeed'

T-w:em at o' Nato



Arizona 'Desert People's' co-op helps members find success, better health, by growing traditional foods

By Dianna Jennings,
Special Projects Coordinator
USDA Rural Development/Arizona



The O'odham people have been gatherers and growers for centuries, planting bean, squash, corn, cotton, melon and

sorghum (which the O'odham call "sugar cane") in the washes and gullies crossing their traditional land. They were also sustained by hunting the region's plentiful game. The O'odham have cleverly mastered desert living along the Gila, Salt and Santa Cruz Rivers in southern Arizona by devising sophisticated canal systems for their

agricultural endeavors.

They were a people who relied on communal cooperation to live in the harsh desert climate. But with European settlement, the O'odham people were arbitrarily divided by international and reservation borders.

The splitting of the lands also resulted in the artificial division of

O’odham society. The O’odham bands were broken into four tribes: the Tohono O’odham Nation, the Gila River Indian Community, the Ak-Chin Indian Community and the Salt River (Pima Maricopa) Indian Community, each now politically and geographically

distinct and separate.

The Tohono O’odham Nation — the “Desert People” — was later divided again and the people now live in four separate reservations in the Sonoran desert in southeastern Arizona. One of those reservations, San Xavier, covers

nearly 300 square miles and is home to 2,000 people.

Over time, urban growth in Tucson and industrial activity diverted much of the water resources tribal members needed to farm. This trend — combined with the ever-more



Facing page: These Indian women, photographed in 1907, gather the fruit of Saguaro cactuses in the southern Arizona desert, much as members of the O’odham tribe still do today. Photos by Edward S. Curtis, U.S. Library of Congress. Above: Julie Pierson and Cie’na Schlaefli, food production manager for the San Xavier Cooperative Farm, are checking on an irrigated field of alfalfa. The historic mission is seen in the background. USDA photo by Dianna Jennings. The San Xavier Mission was completed in 1797. Photo by Gill Kenny, courtesy Metropolitan Tucson Convention & Visitors Bureau

fragmented land holdings of members — meant that farming on a meaningful scale virtually ended by the 1950s. However, a cooperative formed in the early 1970s — the San Xavier Cooperative Association (or San Xavier Co-op Farm) — is helping to revive farming here, leading to improvements in the economic and physical health of the people.

Fighting for water rights

San Xavier takes its name from the lovely Spanish mission San Xavier del Bac, known as the “White Dove of the Desert.” It was built by the Tohono O’odham people and the Franciscan priests who settled in the area in the late 1700s, near present day Tucson. The Presidio San Augustin del Tucson remained under Mexican control until the Mexican American War of 1846.

Tucson grew to become the largest city and commercial center in what was then the Arizona territory. The rapid



Clockwise from upper right: Alfreda Hanier and Verna Miguel hand separate the chaff from Pima Club Wheat. Jars of traditional foods for sale at the co-op store. A basket of mesquite bean pods. USDA photos by Dianna Jennings. A woman pours wheat onto a mat in this 1907 photo. Because the wheat was heavier, it would fall directly onto the mat. The lighter chaff was carried away by a breeze. Photo by Edward S. Curtis, U.S. Library of Congress

growth and commercialization began to impact the area's O'odham people.

Water once ran freely in the Santa Cruz River near San Xavier. But as the area grew, Tucson, mining companies and other users diverted water out of the river and the underground aquifer. The rapidly depleting water table threatened the traditional farming of the area.

In 1890, Congress adopted the Indian Allotment Act, which broke up reservation land into allotments provided to individuals. Each head of a family was given a land allotment, ranging from 40 to 120 acres.

With no wills, when the head of a family died, the allotment was

subdivided among the heirs. Over the generations, the allotments became smaller and smaller, until there were only small individual plots for families.

Water continued to be a problem for the O'odham people. In the 1920s, the Bureau of Indian Affairs (BIA) drilled wells in the area, but by the 1950s the cost of pumping the water was so high that most families simply quit farming. The rich heritage of community-grown, traditional foods all but disappeared.

Diet changes result in high diabetes rate

The impact of that change in their diet is still evident today, with nearly half of the Tohono O'odham people

suffering from diabetes — one of the highest percentages of diabetes of any people in the world. An Indian Health Service report concluded that “the solution rests in the people's hands: the foods that have come from the desert for centuries.”

The report found that traditional foods — including prickly pear fruits, cholla buds, mesquite bean pods and tepary beans — actually reduce blood sugar levels and improve insulin production.

The O'odham people understood the importance of regaining the healthy traditional foods, but the land allotments were now very small. And the once-flowing Santa Cruz River had

become mostly a dry riverbed, except during periods of significant rainfall.

To maximize the yield from the fragmented allotments, San Xavier Co-op Farm was formed in 1971 with a commitment to healthy farming practices and traditional crops. The co-op began working to support the cultural and environmental values of the people while also supporting economic development within the community.

Once the cooperative began operating, members were able to combine their small land plots under its umbrella to create more viable farming operations. That left water access as the major issue to tackle.

In 1975, a lawsuit was filed on behalf of the Papago Tribe (now the Tohono O'odham Nation), suing the city of Tucson, the state of Arizona, several mining companies and other entities that were pumping groundwater from the Santa Cruz Basin. The lawsuit was settled out of court in 1982, when the Southern Arizona Water Rights Settlement Act (SAWRSA) was passed by Congress and signed by the President.

That settlement gave San Xavier an allotment of 10,000 acre-feet of groundwater per year and an allocation of 27,000 acre-feet of water from the Central Arizona Project (CAP), as well as 23,000 acre-feet of other water suitable for agriculture. Once again, the San Xavier O'odham people had land and water.

Co-op improves farm, irrigation canals

This is a story that Julie Pierson has been telling for years. Pierson, the co-op's board secretary, was born here and attended the mission school. In her many years working with the cooperative, Pierson has become a walking encyclopedia of both the Tohono O'odham and co-op history.

She tells the story of how the co-op has been working to rehabilitate the farm, the canals and the wells. Pierson

also describes how the co-op has built greenhouses, developed composting operations and completed riverbank stabilization projects.

Inside the small co-op store near the farm, Pierson points out the traditional foods being sold. These include mesquite pods, sugar cane and cholla buds, along with Pima Club Wheat, chilis, squash and melons (during the growing season).

In the back office of the co-op store, Alfreda Hanier and Verna Miguel sit at a table, painstakingly using their fingers to pull out individual pieces of chaff from piles of wheat. Pierson explains that the co-op has a machine that does the initial separating, but that the



Basil Morrill waters chiltepin chile pepper plants in a co-op greenhouse. Below: ripening prickly pear fruit. USDA photos by Dianna Jennings

women's handwork produces a finer product.

The co-op store sells not only to tribal members, but also to the thousands of tourists who pass by to visit the iconic San Xavier Mission. At the mission itself, ramadas provide shade and a rustic charm near the entrance of the mission where vendors sell traditional foods and handcrafted

items, further expanding the market for the co-op growers.

Driving around the farm, amid the backdrop of rugged mountains and the shimmering white San Xavier Mission, the co-op farm unfolds around every turn of the road. There are irrigated fields where precious water flows down rows of alfalfa. There are also riparian areas where mesquite bosques delineate where the water runs just below the surface during rains. Long mounds of compost in varying stages can be seen near carefully maintained greenhouses where tribal members tend crops that will be planted or sold.

USDA assists co-op

In 2014, USDA Rural Development awarded the co-op a Small Socially Disadvantaged Producer Grant (SSDPG) for \$188,000 and a Value-Added Producer Grant (VAPG) for \$52,000.

The co-op is using the SSDPG funds to do outreach with Tribal members, teaching them how to grow, cook and use the traditional crops. Outreach efforts are also helping educate the people of the community and schoolchildren about the health benefits of returning to their traditional foods.

The VAPG will be used to help make the food production of the farm more profitable. Currently, the co-op subsidizes its food production through the sale of alfalfa grown for cattle feed. The co-op hopes the food production will eventually become self-sustaining. When Alan Stephens, Arizona state director for USDA Rural Development, announced the awarding of the grants to the co-op, he acknowledged a watchword of the O'odham people: "T-w:em at o' Nato," which translates as: "Together we will succeed."

"The San Xavier Cooperative Farm embodies that cooperative principal that has defined the Tohono O'odham Nation for centuries," he said. "USDA is pleased to be a partner in that success." ■

In the Spotlight

Susan Brauner: *Communications Director, Blue Diamond Growers*

After 36 years of directing the communications program of Blue Diamond Growers, Sacramento, Calif., Susan Brauner is retiring, although she will continue to work part time as a consultant. In addition to corporate communications, marketing and grower communications, Brauner's work has included serving as the co-op's government relations liaison with state and federal regulators, various industry groups, government agencies, the state legislature and U.S. Congress.

Prior to joining Blue Diamond, Brauner taught high school French, English and journalism. She served as year-round high school administrator of academic programs. Brauner earned a master's degree in secondary education, as well as lifetime secondary teaching and administrative credentials.

Among the many industry positions she has held are: member of the Agricultural Technical Advisory Committee, which reports to the U.S. Secretary of Agriculture; board member of the Almond Board of California; board vice chair for the Agricultural Council of California; board chair of the Dried Fruit and Nut Association, and member of the International Trade Committee of the California Chamber of Commerce.

Other positions have included: chair of the Member and Public Relations Committee of the National Council of Farmer Cooperatives and board member of the U.S. Agricultural Export Development Council, among many others.

Brauner recently engaged in a Q&A with *Rural Cooperatives* to discuss some of her experiences and views on cooperative communications.

Question: *The U.S. almond industry has experienced phenomenal growth during your years at Blue Diamond. What role has communications – at Blue Diamond and elsewhere in the industry – played in this expansion and the success of the industry?*

Susan Brauner: The almond industry was producing between 300 and 400 million pounds of almonds in the late 1970s, when I joined Blue Diamond Growers. Today, we're averaging about 2 billion pounds annually. Blue Diamond's corporate communications has always focused on communicating the value of belonging to the co-op. We especially emphasize our leadership in the industry through our efforts to

expand markets and increase global consumption. Our cooperative does this by adding value to our members' almonds in the global food ingredient market, as well in consumer-branded markets.

While we support an assessment that growers' pay to fund the Almond Board of California — a federal marketing order that promotes almond research and marketing — we are committed to expanding our co-op's own brand worldwide. Our first national TV ad campaign — which used the tag line "A Can a Week, That's All We Ask" — was launched in 1987. It featured our grower-owners in ads that helped propel the United States to becoming

the world's largest almond producer. That status has been bolstered by many new almond product innovations, such as *Almond Milk*. Blue Diamond today is the world's best-known brand of almond products.

Q. *You were there when the co-op changed its name from the California Almond Growers Exchange to Blue Diamond. From your point of view as a communicator, what were the advantages?*

A. When the co-op was organized in 1910 as the California Almond Growers Exchange, the growers had the foresight to brand their almond products *Blue Diamond*, named after one

of the world's rarest and most valued gems: the "blue diamond." Since then, the brand has become synonymous with high-quality, delicious almonds. While growers continued to refer to the co-op as "the Exchange," customers referred to it by the brand name. In the 1980s, our board finally changed the official name to Blue Diamond Growers, which recognized the ownership value of the growers, but also clearly identified that customer satisfaction comes first!

Q. Can you offer any tips or "lessons learned" that might help other co-op communicators in dealing with the press?

A. Thirty-six years ago, the primary focus of the media was on the success of the business in the marketplace. Now, the media often wants to connect business to news events or controversy. We are very careful not to engage with overzealous news people who want to tie our brand to a controversy. For example, the West Coast Port slowdown was an industry challenge that we preferred not be in the news about with our brand. Instead we worked directly with our legislators and Congress to resolve the issue.

Q. How has the rapidly evolving realm of social media impacted the co-op's communications efforts?

A. Social media has definitely impacted our branded consumer business because eating almond products is perceived to be a lifestyle choice to eat healthy foods. Our consumers want to talk to each other about this. Social media is an extension of our advertising and promotional campaign strategy to build loyal brand followers.

Q. How important is it for a co-op to have an up-to-date crisis communications strategy/plan, and what are the essential elements of your plan?

A. With people being instantly engaged through the social media when a crisis erupts, it is critical to have a plan in place for immediate response.

This includes involving top management, along with the food quality and safety team, in developing a social media response plan, and having a "dark site" at the ready for immediate implementation and a phone response system. This involves media training that covers "messaging," as well as producing a film about your food safety program.

We engaged an outside firm that specializes in crisis management to assist us. This process involves conducting a "mock trial" to test the program. It was the best investment we ever made in crisis preparedness.

Q. How do you adjust to a new CEO and ensure a smooth a transition for the communications program?

A. I have worked with four CEOs during my tenure. Our focus during this time is on communicating to our



Susan Brauner

grower-owners and being consistent with our messaging to all audiences, including the media. Maintaining a good working relationship with growers is key. Nearly 20 years ago, we initiated a young leader program designed to educate about the co-op and how to become a leader in it. I'm proud to say

that it has paid off dividends — nearly half of the board members are graduates of the program!

Q. How do you prepare for the co-op's annual meeting, and what types of messages do you hope to impart at those meetings?

A. We initiate a very successful strategic planning program every year that our leading managers and board jointly participate in. From this meeting, our annual report theme and "talking points" are established, which then serve as a platform for communications at the annual meeting and in our publications. Every year we also develop a film that we use at meetings with employees and others that captures our strategic direction. We also post this to YouTube.

Q. Blue Diamond is a large enough co-op that it has separate membership and communications offices and staffs. Can you cite some examples of how you work together?

A. It is critical that the communications messaging to growers is reflective of why growers should partner with Blue Diamond. Our communications team is a partner with the membership team to deliver this message and to provide the tools to do so. Both teams attend the annual strategic planning team meeting, which allows us to be part of formulating the messaging, together with the board and management, so that we are all aligned.

Q. What are your plans for retirement?

A. I am currently transitioning my position to assure a smooth transfer of responsibilities. However, I will eventually spend more time with my family and enjoy my piece of paradise in Pacific Grove, near Pebble Beach. I'll be doing what I love — riding bikes, golfing, kayaking and hanging out with family and friends. I will probably never fully retire from wanting to educate and inspire others in some creative way — it's in my blood! ■

The Essential Roles of Co-op Managers



Co-op managers must communicate well and forge good relationships with members.

By Jim Wadsworth

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Editor's note: This article is largely excerpted from Cooperative Essentials (CIR 11), published by USDA Cooperative Programs. See the full publication — available online and as hard copy — for more information on the roles played by co-op members, directors and employees, as well as a discussion of what a co-op is.



Talented, responsible managers are an absolute necessity for any cooperative to succeed. Given that member-users own a cooperative, the

responsibilities of a co-op manager differ in some fundamental ways to those of a manager of an investor-owned corporation. The major differences relate to the participatory role that members' play in a co-op business and the unique working relationship between the governing board of directors and the co-op's manager.

Co-op managers must communicate well and forge good relationships with members. This is because the manager needs help from the members, including their participation in the governance process, feedback on how well the co-op is serving them, what things are working well and what needs improvement.

Beyond the communication

relationship between members and the manager, a strong, direct working relationship is needed between the manager and the board of directors. Indeed, the success of a co-op often hinges on how well this relationship works. Mutual respect and a crystal-clear understanding of the differing responsibilities of managers and directors are vital to a co-op's success. Co-op managers have responsibilities that differ from those of directors. Understanding these differences in a co-op is a key requirement for an effective and harmonious relationship between the manager and the board.

A co-op manager does not share in ownership of the business and should not be a member of the board (note that this differs in a worker cooperative). This produces a clear separation between the responsibilities of managers and directors (with the latter having ownership stakes in the co-op).

Major responsibilities of a co-op manager

The main jobs for co-op managers are to:

Implement board policy. Policies are set by the board of directors and implemented by the manager. All business operations and resources of the co-op must be managed within the boundaries of the board's set policies.

Manage daily business operations. The manager supervises and coordinates — under board direction — the business activities of the co-op by managing the people, capital and physical resources.

Hire staff. Hiring and maintaining a competent staff is a critical job of a co-op manager. How well the manager selects, trains and supervises employees has a direct bearing on how well the co-op performs. The board provides the manager with tools to assemble an effective staff, including a wage and salary plan, attractive benefits and safe working conditions. Once employees are hired, the manager provides them

with leadership, training, direction and motivation. He or she also appraises their performance.

Set tactical goals and implement action plans. Significant operational planning occurs as managers direct the daily affairs of a co-op. The manager develops tactical goals in line with the co-op's major long-term objectives, as set by the board. The manager develops and implements action plans to reach the tactical goals.

- Policy changes, which may be necessary because of problems with implementation of plans or by changes in the business environment;
- Regulatory changes, such as chemical use, worker safety, hazardous waste restrictions, environmental laws and standards;
- Governmental affairs, including new or changed legislation, governmental assistance programs and involvement in public policy.

events that may call for immediate action.

Communicate with members. Co-op bylaws often require a formal annual report be distributed to members and an annual meeting to be held. The manager often distributes a comprehensive annual report to the board and creates a summary of highlights given to members at the annual meeting. The manager presents the report to the membership and

“The board of directors decides what the cooperative will do; the manager and key staff decide how it can best be done — subject to board review.”

Advise the board. While many members and their elected directors operate their own businesses or are employed by other businesses, the operations of a co-op usually greatly differ. The manager therefore has a responsibility to advise the board on how the co-op can be operated more effectively, offering direct technical advice in such areas as:

- Competitive strategy, including pricing policy, cost cutting, service packages, member benefits and competition issues;
- Financial management, including credit control, debt load, cash-flow and member equity.
- Operational efficiency, including product storage and handling, pickup and delivery schedules, administrative procedures, facility organization, purchasing and marketing strategies and staffing;
- New technology, including industry innovations, improved machinery and equipment, better computer systems and results of relevant outside research;
- New products and services, such as additions or replacements and product and service information;

Formal reporting occurs at monthly board meetings. The manager sends financial statements and information on major issues to directors in advance of board meetings so they can review the materials. Accurate reports to the board are necessary for good business management and help build mutual respect and trust between the manager and the board. These reports often include:

- The statement of operations, with budget comparisons;
- The balance sheet, with comparisons to one or more previous years;
- The status of accounts receivable and notes about delinquent accounts;
- An update on progress made toward planning goals;
- A summary of operational activity during the most recent period;
- Any necessary proposals for immediate or longer term consideration by the board or membership.
- Information on special issues and circumstances;

Managers also need to be able to contact board members at any time. Outside of board meetings, managers must keep the board president and other officers apprised of significant

discusses operational highlights, issues and problems encountered, special activities and the co-op's outlook for the coming year. Any major strategic planning changes should be discussed.

For other member communication, managers sometimes write individual letters to members, or visit them one-on-one. Some managers write a column in the co-op's newsletter and/or website. Managers also hold district or regional meetings to reach out to groups of members. In addition, the manager will often have daily informal contact with some members as they visit or transact business at the co-op.

Represent the co-op. As the person in charge on a day-to-day basis, the manager represents the cooperative in many ways. That representation is often guided by the co-op's policies and specific board directives. The manager's own interests may also influence the type and extent of his or her representation on behalf of the co-op. The manager carries this representation to at least four areas: community, cooperatives, industry and government.

In the community — as a business leader, the manager may be called upon

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Newsline

Co-op developments, coast to coast

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

DeVelder and Meshke will lead AMPI

Leaders of Associated Milk Producers Inc. (AMPI) have chosen to take a team approach to fill the company's top management spot. The dairy co-op has appointed longtime employees Donn DeVelder and Sheryl Meshke as co-presidents and CEOs.

"Transitioning to a partnership is a natural decision for us because AMPI, by its very nature as a cooperative, is about teamwork," says Steve Schlangen, board chairman and a dairy farmer from Albany, Minn. "In Donn and Sheryl, we have a combined half-century of service to the dairy farmer-owners of AMPI. Their individual skills and knowledge of the company's operations are complementary. This gives us a much broader set of experience and ideas with which to chart AMPI's strategies for success."

DeVelder and Meshke were executive senior vice presidents before being named acting co-presidents and CEOs in December. The move followed the resignation of Ed Welch, who had been with the dairy marketing cooperative for 31 years and had been president and CEO since 2008.

"Throughout their careers with AMPI, Donn and Sheryl have demonstrated a high level of competence and cooperation and offered a powerful and thoughtful vision for AMPI's future," Schlangen says.

DeVelder has more than 30 years with AMPI, beginning as a field representative providing on-farm consultation and assistance to the co-op's dairy farmer-owners. He then



AMPI Chairman Steve Schlangen, left, with new Co-Presidents/CEOs Sheryl Meshke and Donn DeVelder. Photo courtesy AMPI

joined the corporate staff at the cooperative's New Ulm, Minn., office. In his position as executive senior vice president, he was responsible for fluid marketing and member services. DeVelder is a graduate of the University of Northern Iowa.

Meshke has been with AMPI for nearly 25 years. During that time, she has served as vice president of public affairs and strategic planning. Following appointment as executive senior vice president, she focused on human resources and strategic initiatives aimed at strengthening the Midwest dairy cooperative's performance and value.

Meshke holds a bachelor's degree in agriculture from South Dakota State University and a master's degree in business from the University of St. Thomas.

AMPI, owned by 2,600 Midwest dairy farm families, annually markets about 5.8 billion pounds of milk and has \$2 billion in annual sales.

CoBank net earnings top \$904 million; will pay \$467.5 million in patronage

CoBank — a cooperative bank serving U.S. agribusinesses, rural infrastructure providers and Farm

Credit associations — had net income of \$904.3 million for 2014, up 6 percent from \$856.5 million in 2013. The increase was primarily driven by higher net interest income, which increased 6 percent, to \$1.2 billion, driven by higher average loan volume and increased earnings from the bank's balance sheet. Average loan volume rose 7 percent, to \$76.6 billion.

"The bank recorded its 15th consecutive year of growth in profitability on behalf of our customer-owners, an accomplishment matched by few, if any, other financial institutions in the world," says Robert B. Engel, CoBank's CEO. "Our credit quality remains strong and our capital and liquidity levels remain solid. Most importantly, we continue to fulfill our mission of service to rural America."

The bank saw higher loan volume from a range of rural industries, including agricultural cooperatives, food and agribusiness companies, electric distribution cooperatives, power supply customers and communications service providers. The bank's wholesale loans to its affiliated Farm Credit associations also increased, due to heavier borrowing from their agricultural producer-members.

"We continue to benefit from the diversification of our customer base," Engel says.

In March, the bank distributed a record \$467.5 million in total patronage, including \$378.8 million in cash and \$88.7 million in common stock. For most customers, that will represent 100 basis points of average qualifying loan volume during the past year, effectively lowering their overall net cost of debt capital from CoBank.

Forum to focus on co-op successes models

"Replicating Success in Cooperative Development" is the topic of the annual Cooperative Development Foundation's Issues Forum, to be held in conjunction with the 2015 Cooperative Hall of Fame induction dinner on May 6. Both

events will be held at the National Press Club in Washington, D.C.

The Issues Forum begins with a discussion on how to replicate successful co-op development strategies, which runs from 1:30 to 3:15 p.m. Dennis Johnson, president of Cooperative Housing Resources LLC in Shoreview, Minn., will serve as the moderator, with panelists Hilary Abell, co-founder of Project Equity in Oakland, Calif., and Kevin Edberg, executive director of Cooperative Development Services in St. Paul, Minn.

It will be followed by a second panel, from 3:45 to 5 p.m., in which the 2015 Hall of Fame Inductees (see related Newsline item) will reflect on their careers in the co-op sector. Mike Beall, president and CEO of NCBA/CLUSA, will serve as the moderator.

There is no fee to register for the Issues Forum. While "walk-ins" are welcome, registration is encouraged. Tickets must be purchased for the dinner. Learn more and register at: <http://heroes.coop/>.

The Issues Forum is sponsored by the Ralph K. Morris Foundation Fund.

Blanding to succeed Paige at Federation of Southern Co-ops

Cornelius Blanding has been selected as the new executive director of the Federation of Southern Cooperatives/Land Assistance Fund.

The leadership change became effective March 1.

Blanding succeeds Ralph Paige, who retired after serving in the post from 1985 to 2015.

Blanding praised Paige as a "mentor and friend who worked untiringly with great dedication for three decades to build the Federation and support our membership to realize the vision of social and economic justice in the South



through cooperatives, credit unions and community-based development."

Blanding has worked with the Federation for the past 17 years in various program and leadership capacities, including serving as deputy director of the Federation for most of the past year. He has spearheaded several of the Federation's special initiatives, including its international work in Africa, the Caribbean and around the world.

He also helped lead the Federation's disaster-relief efforts after Hurricane Katrina, the Alabama tornadoes and the Haiti earthquake. Blanding directed a U.S. Department of Labor-funded rural workforce development project through cooperatives and headed a project with USDA's Natural Resources Conservation Service (NRCS-USDA) that focused on conservation practices and easements for Federation member-farmers.

"I am looking forward to serving the membership of the Federation and moving our cooperatives forward so they may better serve the communities in the South where they are working." A native of Montgomery, Ala., he received a liberal arts and business education degree from Stillman College in Tuscaloosa, Ala., and the University of Florida in Gainesville, Fla.

California co-ops seek to join federal milk marketing order

The three largest dairy cooperatives in California have submitted a joint proposal to the U.S. Department of Agriculture (USDA) petitioning for milk producers in the state to begin operating under a Federal Milk Marketing Order (FMMO). California Dairies Inc. (CDI), Dairy Farmers of America Inc. (DFA) and Land O'Lakes Inc. submitted the proposal in early February.

Under existing regulations, California dairy farmers operate under statewide milk pricing plans. The majority of farmers in other states

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Hall of Fame inductees announced

Four outstanding cooperative leaders will receive the co-op community's highest honor when they are inducted into the Cooperative Hall of Fame. These cooperative leaders will be recognized at the annual Cooperative Hall of Fame dinner and induction ceremony at the National Press Club in Washington, D.C., on May 6.

In conjunction with the induction ceremony, a public forum on cooperative development and leadership issues will be held the afternoon of May 6 (see related Newsline item, page 35).

"Induction into the Cooperative Hall of Fame is reserved for those who have made genuinely heroic contributions to the cooperative community," says Gasper Kovach Jr., board chair of the Cooperative Development Foundation (CDF), which administers the Hall of Fame.

"The 2015 inductees join a host of extraordinary Hall of Fame members who have significantly contributed to the advancement of the cooperative movement."

The new inductees are:

■ **Ann A. Hoyt** — A consumer cooperative advocate/educator and a retired professor and department chair of the University of Wisconsin-Madison Department of Consumer Science, Hoyt is an internationally known expert on cooperatives. She began her career in the 1960s as a member of the Berkley Consumer Food Co-op. Her academic interest in cooperatives took root in graduate school at the University of California at Davis, where her master's thesis focused on the Consumer Cooperative of Sacramento.



Hoyt was elected to the board of the National Cooperative Bank in 1982 and in 1985 she joined the University of Wisconsin (UW) at Madison's Department of Consumer Science and the UW Center for Cooperatives. In 1992, she joined the board of the National Cooperative Business Association, where she served as chair from 2004-2006.

In 1994, Hoyt was elected to the board of the University of Wisconsin Credit Union, which she chaired from 1996 to 2005. Her love of teaching led to work in board education and governance and the launch of an intensive education program for food cooperative managers, the Cooperative Management Institute (CMI).

■ **Daniel T. Kelley** — An authentic leader and champion of cooperative development, Kelley spent more than three decades serving the cooperative sector. He recently retired as board chairman and president of GROWMARK Inc., an agriculture supply cooperative. Kelley's roots in the co-op movement began in 1970, when, as a full-time farmer, he joined his local cooperative, Evergreen FS, serving as its president from 1985 to 2008.



A champion of new ideas and innovation, Kelley is widely credited for shaping GROWMARK Inc. into the

organization it is today. AgriVisor — a grain and livestock marketing analysis and brokerage service — was initiated during his tenure. A joint venture between GROWMARK and Illinois Farm Bureau, the venture has since expanded to serve Farm Bureaus in Iowa, Wisconsin, Indiana, Missouri and Ohio.

In the 1980s, Kelley shouldered efforts to reform the Farm Credit Banks, creating a foundation for success that co-ops, the Farm Credit System, its member-owners and rural communities enjoy today. He is currently on the board of Nationwide Mutual Insurance Co., CoBank and the Illinois Agriculture Leadership Foundation, which he chairs.

■ **William J. Nelson** — Vice president of Corporate Citizenship and president of the CHS Foundation. Nelson's involvement in cooperative education began in the 1970s while serving as community education director for the Minneapolis public school system, where he focused on connecting urban and rural schools around food and hunger issues. In this role, Nelson was first introduced to a new wave of food cooperatives in the Twin Cities. He went on to spend 13 years at the University of Minnesota-Waseca, teaching courses on cooperatives, agriculture, entrepreneurship and leadership.

In 1992, Nelson joined CHS Inc. to revitalize its cooperative education grants program. Now in its 22nd year, the program continues to support a variety of projects that enhance the understanding of cooperative business. The program works closely with the newly established CHS Center for Cooperative Growth. Nelson provides leadership to CHS Stewardship activities, including support of universities, rural leadership development, cooperative education and agriculture safety programs.

Nelson has been instrumental in developing the CHS University Initiative on Cooperative Education, which increases the understanding of the co-op business model through education, development and practical experience. He is a founding member and director for the Ralph K. Morris Foundation and has brought stable leadership and

financial support to the Association of Cooperative Educators.

Through his long tenure as president of The Cooperative Foundation, Nelson helped expand support for cooperative development, extension, education and research. Nelson also serves on the National Council on Farmer Cooperatives' executive education committee, as well as the board of directors for the National Cooperative Business Association and the Farm Foundation.

■ **Judy K. Ziewacz** — Former executive director of the Cooperative Development Foundation, Ziewacz has for more than 35 years championed cooperative development.



An early career in politics saw her, at age 26, named the youngest female chief of staff on Capitol Hill, where she became well versed in rural development, agriculture and farm credit, including the myriad cooperative enterprises that support them.

Ziewacz later worked as chief lobbyist for Wisconsin Federation of Cooperatives, where she played a key role in advancing legislation to foster cooperative growth and helped propel passage of major revisions to Wisconsin's co-op statute. In 1985, she was instrumental in launching the Wisconsin Cooperative Development Council, now known as Cooperative Development Services.

Ziewacz was a driving force behind the creation of favorable federal policy for dairy co-ops and the establishment and funding of USDA's Rural Cooperative Development Grant (RCDG) Program in the 1990 Farm Bill. In 1996, she became executive director of the Cooperative Development Foundation and later led the application process to secure "DotCoop" as a new top-level Internet domain for use by the international cooperative community.

Ziewacz currently serves on the boards of the National Cooperative Bank and Capital Impact Partners, and chairs the cooperative development committees of both organizations. Her clear vision, strategic thinking and acumen for consensus building have enriched the cooperative community. ■

operate under an FMMO, which provides uniform dairy prices for milk based on market prices. Shifting to an FMMO for California supports the desire of these cooperatives' dairy farmers to receive more equitable, market-based milk prices, the co-ops say.

Changes made to the California state order before 2011 resulted in California's dairy farm families enduring unsustainable pricing for their milk, the co-ops say in a press release announcing the proposal. Cooperative leaders from CDI, DFA and Land O'Lakes began advocating for an FMMO to work with the California Department of Food and Agriculture to correct pricing disparity.

As the first step in the process, the proposal requests USDA to announce a regulatory hearing that will provide ample opportunity for other dairy industry organizations, companies and producers to provide input.

Murr named new VP at NCB

National Cooperative Bank (NCB) has selected Stephanie Murr as assistant vice president and relationship manager for the bank's Project Finance/Tax Credit lending division.



"Stephanie brings a unique background in both finance and law," says Charles E.

Snyder, NCB president and CEO. "We have been fortunate to have worked with her in our business relationship with Strata Solar, where NCB has financed 36 solar projects totaling \$156 million and 212 megawatts."

Murr will be responsible for portfolio and relationship management, serving as a primary contact for borrowers, and will work closely with the loan servicing and closing teams to ensure all servicing requirements are properly understood and accurately

documented. In addition, she will manage deal flow and business development as well as work on special projects.

She was a closing and compliance officer for Strata Solar, where she was responsible for closing \$103 million in state tax equity, \$185 million in federal tax equity, \$78 million in term debt and \$50 million in bridge debt financing transactions. She earned a law degree from the University of North Carolina at Chapel Hill and a B.A. in history and political science from Elon University.

Winters is interim CEO at PCCA

Plains Cotton Cooperative Association (PCCA) in February appointed Lonnie Winters as interim president and CEO upon the retirement of Wally Darneille, effective March 1. "Lonnie Winters has spent his



entire career in the cotton business, and he is highly respected in the cotton industry and among agricultural cooperatives," says PCCA

Board Chairman Eddie Smith. "He is a strong, co-op-minded leader, and PCCA will be in good hands while our board conducts its search for a new president and CEO."

Winters joined PCCA's marketing staff in 1993, and he was promoted to vice president of marketing in 2004. Previously, he worked for Hohenberg Cotton, now a division of Cargill, and for W.R. Moore Cotton Co. He also managed Granite Farmers Co-op Gin and farmed in Oklahoma. Winters is a past president of the Lubbock Cotton Exchange and currently serves on the board of directors of The Seam, an Internet-based cotton marketing system that is co-owned by PCCA.

Founded in 1953, PCCA is a farmer-owned cotton marketing and warehousing cooperative serving about 15,000 members. It is one of the largest

suppliers of U.S. cotton to textile mills around the world.

Ohio to host Co-op Boot Camp

Many people who decide to start a cooperative business do a great job planning for the cooperative aspects of the business. But they may need help with the business aspects of the venture.

The Cooperative Business Boot Camp has been thus designed by the Ohio Employee Ownership Center to fill the need for the business planning that is integral for a sustainable and powerful cooperative business. The 5th annual event will be held April 28 at the Akron/Fairlawn Hilton in Akron, Ohio.

Among the session topics are: "Launching a (Cooperative) Business/Understanding Your Market, An Overview of Business Planning Basics, Cooperative Business Finances, and Human Resources/Regulatory Basics for Your Startup Cooperative Business," among many other sessions.

To register, visit: www.oeockent.org/cooperative-development/ohio-cooperative-forum/. To register for the both the Co-op Boot Camp and the 29th Annual Ohio Employee Ownership Conference, contact Kelley Fitts at: kfitts@kent.edu. For general questions, contact Roy Messing at: rmessin2@kent.edu.

NCB real estate loans hit \$951 million

National Cooperative Bank (NCB), a financial institution serving cooperatives nationwide, provided \$951 million in real estate lending during 2014. The bank arranged more than \$593 million in financing for housing communities, \$186 million in new loans for 744 individual unit owners and \$172 million for other commercial real estate projects across the country.

"2014 was another great year for NCB, as it experienced successful financing throughout the commercial and residential real estate industry nationwide, particularly in the New York cooperative housing market," says

Charles E. Snyder, president and CEO of NCB. “We also experienced loan growth in other commercial real estate properties nationwide with the hiring of two new commercial real estate business development officers.”

Fairmont residents purchase community

Residents of a manufactured housing community in Fairmont, Minn., joined the ranks of about 1,000 other such communities around the country by purchasing their community. Resident-members of Five Lakes Cooperative worked together to form a Minnesota cooperative corporation, an entity owned and controlled by its homeowner-members. Cooperative

managing our community successfully. There are so many people who live in this community with so much to contribute, we’re so happy to have taken this step of taking control.”

Northcountry Cooperative Foundation (NCF), Minneapolis, Minn., supported the residents’ efforts to organize a new cooperative and provided governance support and training. It also supported the cooperative’s transaction-related due diligence and helped the co-op secure financing from a national lender specializing in such transactions.

NCF is a ROC USA-certified technical assistance provider, a professional network of nonprofit organizations performing this kind of

Congress increases funds for international co-op development

President Barack Obama in December 2014 signed legislation that increases annual funding for the Cooperative Development Program (CDP) to \$10.5 million, up 5 percent from the last spending bill. Through CDP, the U.S. Agency for International Development (USAID) supports cooperative development programs and projects overseas implemented by U.S. cooperative organizations.

The CDP is a competitive-grants program that responds to the needs of local cooperatives and other group-based businesses by drawing on the expertise and resources of long-



Resident-members celebrate the creation of the Five Lakes Cooperative in Minnesota, one of the nation’s newest resident-owned manufactured housing communities. It joins the ranks of about 1,000 other such communities around the nation.

members, represented in day-to-day decisionmaking by an elected board, will run the 94-site community for their mutual benefit.

This new resident-owned community is the latest such cooperative among many emerging across the Upper Midwest. “This has been an amazing experience,” says Kendall Gray, Interim President of the Five Lakes Cooperative. “As a group, we’re committed to owning and

community development activity around the country. NCF works with seven resident-owned cooperatives in Minnesota and Wisconsin, communities whose conversion has permanently preserved 456 homes as affordable housing.

“Five Lakes Cooperative residents have better secured their futures by taking over ownership and control of their community,” says NCF Executive Director Warren Kramer.

established U.S. cooperative organizations, their members and volunteers. In 10 current grants, the program focuses on developing, implementing and extending workable, sustainable solutions to key development challenges and opportunities in 19 countries.

The CDP impacts 5.7 million people in more than 30,000 cooperatives, according to a survey conducted earlier this year at the request of the Senate

Foreign Operations Appropriations Sub-Committee. “The survey confirms the impact CDP has on the lives of millions of people. CDP demonstrates that cooperatives can reach the size and scale to lift millions of people out of poverty,” says Paul Hazen, OCDC executive director.

“The CDP is the only federal program that is exclusively focused on cooperatives in the developing world,” says Paul Clark, Overseas Cooperative Development Council (OCDC) board chair. OCDC’s member organizations, he adds, are helping to “give millions of otherwise marginalized people the opportunity to own a piece of economic prosperity and join the mainstream of economic and social development.”

Land O’Lakes to acquire FLM+

Land O’Lakes Inc. is acquiring the assets of FLM+, a leading marketing communications and strategic consulting company with expertise in the agribusiness and rural community sector. Land O’Lakes says the acquisition aligns the growth strategies

of both companies in serving the agricultural industry.

“This partnership with FLM+ will provide valuable resources within our federated co-op system to drive the growth of our member-owners,” says Chris Policinski, president and CEO of Land O’Lakes. FLM+ will become a wholly owned subsidiary of Land O’Lakes and “will retain its employee base.” The marketing communications and consulting services of FLM+ will now be available to Land O’Lakes member co-ops to help them better meet their own growth goals and respond to emerging market opportunities.

“Five years ago, Phillip Farmer, John Lumpe and I set out to create a new kind of marketing and communications company, focused on meeting the needs of agribusiness and rural communities,” says Rob McClelland, FLM+ president and CEO. “This new partnership will only accelerate our commitment to positively impact our valued clients.” ■

Indianapolis to host CCA Communications Institute

Indianapolis, Ind., will host the annual Communications Institute of the Cooperative Communicators Association (CCA) May 30 – June 2. “Fueling High Performance” is the theme of this year’s conference. Sessions will cover a wide variety of topics — including writing and editing, photography and social media, among many others — all designed to help sharpen the skills of communicators of all skill levels and backgrounds.

Attending the CCA Institute is the best way for co-op communicators to make connections and network throughout the year with others doing similar work.

CCA members represent agriculture, utility, credit, food/grocery and many other types of co-ops. For more information, visit: www.communicators.coop.

Commentary

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fees from USDA’s Farm Service Agency, and they may receive interest rate assistance.

• **FarmStart** assists farmers in the early stages of their business when the demands for capital and financial management skills often make it difficult to establish their businesses. The program invests working capital of up to \$50,000 to help beginning farmers’ businesses become operational. Each FarmStart participant is required to complete a business plan and monthly cash flow that serve as roadmaps for their startup business. A FarmStart advisor works with each participant to help the new business stay on track toward achieving their business objectives.



Following his duty as an Army infantryman and paratrooper, Pete Frizzell enlisted in the Connecticut National Guard and served as a squad leader with the 29th Infantry Division, during which time his unit deployed to Afghanistan.

• **GenerationNext** is a seminar series focused on boosting the overall business knowledge and management ability of participants. GenerationNext is optimal for young people, ages 20 to 35, who are involved in the agriculture industry and are the middle managers or the managers of a farm or agricultural business.

These are just some of the ways Farm Credit East and other Farm Credit associations around the nation are striving to open the doors to careers in agriculture for America’s armed forces veterans. Many other cooperatives are engaged in similar activities because they know that of all the great resources found in America, none are more important than its human resources.

For more information on Farm Credit East’s programs to help veterans get started in agriculture, visit: FarmCreditEast.com/startup. ■

Global co-op

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workers, which is a topic of growing interest.”

Beyond statistics, the *Monitor* includes several descriptive profiles of innovative cooperatives from around the world.

Data for this year’s *World Co-operative Monitor* was collected through an online questionnaire addressed directly to cooperative and mutual organizations.

This data then was integrated with existing databases and data collected by national associations, research institutes, sectoral organizations and others.

In presenting the study, ICA Director General Charles Gould said “With \$2 trillion in annual revenue among the 300 largest cooperatives alone, this is a sector that is no side-player, but a major, global, economic force.”

Euricse and the ICA are calling on cooperatives to contribute to the next edition of the *World Co-operative Monitor*. The annual index gathers data

on cooperatives of all sizes across all continents, demonstrating the important role of co-ops in the world economy. It also aims to create a network between cooperatives and mutuals within the *World Co-operative Monitor* for greater sharing of information, business intelligence and business opportunities. Submissions are now being accepted for the 2015 edition. For more information, visit: <http://www.euricse.eu/en/monitor/quest>.

The 2014 *World Co-operative Monitor* is available at: <http://www.euricse.eu/en/worldcooperativemonitor>. ■

Co-op Managers

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to participate in a variety of community activities, such as helping raise funds for charities, speaking at business and social events and becoming a member of the chamber of commerce and/or other community service organizations.

managers who are particularly convincing speakers are often called upon to speak to regulatory officials and policy-makers on issues affecting the co-op or its members.

Personal life — even in the manager’s personal life and activities, many people see the manager as representing the co-op. Thus, the representative responsibility requires

given that successful cooperative managers must understand and embrace the unique principles and practices of cooperatives and be able to operate the business within that framework.

The board of directors decides what the cooperative will do; the manager and key staff decide how it can best be done — subject to board review.

The manager of a co-op wears many

“Mutual respect and a crystal-clear understanding of the differing responsibilities of managers and directors are vital to a co-op’s success.”

To other cooperatives — the board of directors may select the manager to be the co-op’s voting delegate or official representative to other co-ops or cooperative organizations. At the board’s discretion, the manager may serve on the boards of other co-ops, such as a federated cooperative of which the co-op is a member.

To industry — most industries have professional or trade associations to protect or enhance their business interests. The manager may get involved in one or more of the key organizations that are closely related to the co-op’s operational functions.

In governmental matters —

constant and careful attention at all times.

Hiring the right person

Like any other business, co-ops attempt to hire the best manager, offering competitive wages and benefits, performance incentives and retirement programs. Managers hired by the board need sound business judgment, management skills, knowledge of the industry and an ability to employ resources effectively.

When interviewing manager candidates, the board must look for this type of unique individual. Prior cooperative experience is an advantage,

hats and fulfills a unique position between members, employees and the board of directors. It is extremely important that the manager and the directors on the board all understand their distinct responsibilities.

Managing a co-op requires a clear understanding of cooperative principles and business acumen. They need to be well versed in the fundamentals of cooperation, as well as in co-op structure and business operations. Managers must recognize membership interests as paramount and fully understand their role and responsibilities in meeting those interests. ■

Tune up your CO-OP



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

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



Co-op Essentials (CIR 11)

A companion volume to Co-ops 101, this is an educational guide for teaching basic information about cooperatives. It explains what cooperatives are—their business, principle, and structural characteristics, and the responsibilities and roles of cooperative members, directors, managers, and employees.



How to Start a Cooperative (CIR 7)

A long-time favorite refreshed up with updated editorial content and a new design. This guide outlines the process of organizing a cooperative business, providing information on the potential steps involved and some important aspects of cooperative development.



The Role of Food Hubs in Local Food Marketing (SR-73)

Consumers are willing to pay a premium for locally-produced foods. But producers are often handicapped by the lack of locally-based distribution systems. The food hub is one collaborative distribution system for local and regional food that shows great promise. This report presents an overview of the myriad issues facing food hubs across the United States.



Cooperative Statistics 2013 (SR 75)

A survey of 2,186 U.S. farmer, rancher, and fishery cooperatives ending their business year during calendar year 2013 showed a record business volume and net income before taxes. Get all the facts with this vital window on the agricultural cooperative economy.



Performance of the Top 15 Dairy Co-ops, 1992-2012 (RR 232)

The equity retained by dairy cooperatives represents a substantial sum of the members' money and compares with the capital needed for financing their farm operations. That's why good financial performance is vital to the well-being of a dairy co-op's members. Learn how well the largest U.S. dairy cooperatives are doing.

Is your cooperative delivering maximum performance for its members? To help ensure that it's "firing on all cylinders," request copies of any of the publications on these pages. Or download them from the Web. Either way, there is no cost.

For hard copies (please indicate title, publication number and quantity needed), e-mail: coopinfo@wdc.usda.gov, or call: (202) 720-7395. Or write: USDA Co-op Info., Stop 0705, 1400 Independence Ave., SW, Washington DC 20250. To download from the Web, visit: www.rurdev.usda.gov/rbs/newpub.htm.



The Nature of the Cooperative (CIR 65)

These collected articles by USDA Rural Development agricultural economist Charles Ling were originally printed in *Rural Cooperatives* magazine to examine the nature of cooperatives and their place in our free-market economy. Now expanded to 10 articles from the original 5.



Nominating, Electing and Compensating Cooperative Directors (CIR 63)

This report examines the various methods co-ops use for nominating board candidates, voting policies of agricultural co-ops and compensation practices for co-op directors. It also includes a look at the types of leadership skills needed by co-op board members. This collection of articles originally appeared in USDA's *Rural Cooperatives* magazine.



Managing Your Cooperative's Equity (CIR 56)

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



Member Satisfaction With Their Cooperatives (RR 229) (Web Only)

Dairy cooperatives have adopted a wide range of organizational structures. In some cases, this resulted in fairly bureaucratic, complex business organizations that require high levels of management expertise. This study looks at how such organization affects the satisfaction members have with their cooperatives.



Comparing Cooperative Principles of the U.S. Department of Agriculture and the International Cooperative Alliance (RR 231) (Web Only)

The cooperative principles of the U.S. Department of Agriculture and those of the International Cooperative Alliance (ICA) have evolved in slightly different directions since the Rochdale statement of 1860. This report compares the two sets of cooperative principles regarding how they distinguish that form of organization from other forms of business.



Cooperative Employee Compensation (RR-228)

Employee compensation is the largest expense item for most cooperatives, averaging 4 percent of sales. This publication provides a comprehensive survey of compensation rates and benefits of U.S. agricultural co-ops.

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“The Nature of the Cooperative” is a collection of five articles reprinted from *Rural Cooperatives Magazine* that examine cooperatives and their place in our free-market economy.

Author Charles Ling explains co-op economic structure, theory and practice, as well as the economics of cooperative marketing and co-ops’ relationships with other market participants through their roles in transaction governance.

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