

Rural

COOPERATIVES

USDA / Rural Development

November/December 2000

Cherry Growers Unite



CherrCo bargaining co-op
brings stability to market

Bargaining co-ops help level field, stabilize markets

Farmers and ranchers who bargain for price when they are united and represent a large share of their industry — rather than as individuals who control only a tiny fraction of the supply — negotiate from a position of strength, rather than weakness. This was true during the earliest years of the cooperative movement, and remains just as true today in the face of a food industry being concentrated into fewer and fewer hands. Due to this trend, I foresee a growing role for bargaining cooperatives in the 21st century. Not only do bargaining co-ops help secure a fair price for farmers and ranchers, they help bring stability to markets by better coordinating the production of their members with the needs of the marketplace.

Bargaining cooperatives have been used by agricultural producers for decades as a self-help tool. Many of these associations grew out of pricing challenges encountered in the 1960s by fruit and vegetable producers. By banding together, producers worked to get legislation changed so they could form recognized associations that could bargain with processors.

CherrCo, our cover story, is a prime example of a bargaining co-op that has brought stability to an agricultural market. This relatively new tart cherry bargaining association was developed at about the same time a new federal marketing order for tart cherries was put into place. By licensing sales agents and working confidentially between growers and processors, this organization — a federated association with 28 member cooperatives — has helped to bring some order to the tart cherry

industry. Had CherrCo not been created, many observers feel that the ranks of cherry producers would have been decimated.

Bargaining associations in California also play a critical role linking farm fields with the family dinner table. In an upcoming issue, we will look at how some bargaining co-ops work in the Golden state. From apricots and peaches to olives, raisins and tomatoes, bargaining associations have enhanced the income that producers can realize from the sale of their

“The real power behind successful bargaining associations is that they are a tool for producers to become price makers instead of price takers.”

crops. They extend across state lines and commodity sectors as effective tools that help farmers earn fair prices for apples, plums, raw milk, ryegrass, potatoes, sugar beets, hazelnuts and many other crops.

These associations do not invest capital in buildings or equipment. They don't own a consumer brand name or implement marketing campaigns. But



what they do possess is the ability to galvanize producers in a union of common purpose.

The real power behind successful bargaining associations is that they are a tool for producers to become price makers, rather than price takers. These associations work to secure a fair price for producers. For these co-ops to work, producers need to agree to let their association negotiate a price, and then hold to that commitment. Even the largest producer of a commodity will find it extremely difficult to go it alone in a global marketplace where processors can source product from around the world.

Bargaining associations have proven time and again that they are a valuable tool for producers committed to working together to remain competitive and profitable in an increasingly global marketplace. The time is ripe for further use of this invaluable tool.

Jill Long Thompson

Jill Long Thompson

Under Secretary USDA Rural Development

Rural COOPERATIVES

November/December 2000

Volume 67 Number 6

RURAL COOPERATIVES (1088-8845) is published bimonthly by Rural Business-Cooperative Service, U.S. Department of Agriculture, 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 \$3.50 domestic, \$4.38 foreign; or by annual subscription at \$15.00 domestic, \$18.75 foreign. Postmaster: send address change to: Rural Cooperatives, USDA/RBS, Stop 3255, Wash., DC 20250-3255.

Mention in RURAL COOPERATIVES of company and brand names does not signify endorsement over other companies' products and services.

Unless otherwise stated, contents of this publication are not copyrighted and may be reprinted freely. For noncopyrighted articles, mention of source will be appreciated but is not required.

The United States Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs). Persons with disabilities who require alternative means for communication of program information (braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, D.C. 20250-9410, or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

Dan Glickman, *Secretary of Agriculture*

Jill Long Thompson, *Under Secretary, Rural Development*

Wilbur Peer, *Administrator, Rural Business-Cooperative Service*

Gladys Rodriguez, *Director of Public Affairs*

Dan Campbell, *Managing Editor*

Vision 2000/Kota, *Design*

Have a cooperative-related question?
Call (202) 720-6483, or
Fax (202) 720-4641, Information Director,

This publication was printed with vegetable oil-based ink.

USDA
United States Department of Agriculture

FEATURES



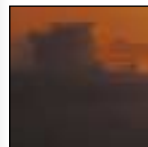
4 *CherrCo helps bring market stability to tart cherry industry*

By Pamela J. Karg



8 *Trading Up Plains Cotton Co-op uses computer technology to pursue business-to-business strategy.*

By Pamela J. Karg



14 *Consolidation in the heartland A closer look at grain co-op mergers and acquisitions, 1993-1997.*

By Anthony Crooks



20 *Are you a good leader? Director assessments are building blocks to productive board-management relations.*

By James J. Wadsworth



24 *Cooperative Agro Pastorale Segbeya African swine raising cooperative struggles to survive and prosper.*

By Azanmasso Joseph, Steve Graham

DEPARTMENTS

- 7 LEGAL CORNER
- 11 MANAGEMENT TIP
- 26 IN THE SPOTLIGHT
- 27 NEWSLINE
- 31 ANNUAL ARTICLE INDEX

On the Cover:

Michigan-based CherrCo is helping stabilize the tart cherry industry by negotiating prices at a level that keeps growers and processors in business. Story on page 4. Grant Heilman Photo



CherrCo helps bring market stability to tart cherry industry

By Pamela J. Karg
Field Editor

Life can change quickly in agriculture. At other times, it takes many years of hard work to develop necessary changes — including new cooperative organizations. Yet leaders of the tart cherry industry were persistent in their work and have created an innovative cooperative marketing organization as well as a new federal marketing order program.

Both the new order and the new organization — called CherrCo — didn't happen as quickly as life can change. It took years of hard work. Some previous attempts at organizing new approaches had succeeded, and some had their ups and downs. For example, an earlier supply-management federal marketing order had been discontinued in the early 1980s.

But a number of the industry's key underlying problems — including surplus supplies, fluctuating production and weak pricing arrangements — did not go away. So leaders explored alternative programs and organizational arrangements to try to improve their industry. Their efforts included in-depth discussions during the late 1980s and early 1990s about developing a new marketing order for supply management and a new, broad-based cooperative.

Throughout the early 1990s, the industry often grappled with surplus supplies and low cherry prices. The only exception was in 1991 when there was a short crop. Prices temporarily rose to exceptionally high levels — 80-

plus-cents-per-pound for frozen cherries. But the temporarily high prices were a deterrent for some users. More problematic than one season of high prices, though, were the years tart cherries drew very low prices.

In 1995, for example, prices had tumbled to 25 cents per pound for frozen cherries. By contrast, the costs for production, harvesting, processing and freezer storage were about 60 cents a pound.

"Another year or two [of low prices] and we estimate that about half our growers and a good share of our processing plants would have gone out of business," says CherrCo President James Jensen, who has been around the cherry business for 39 crops. "We knew we needed a consistent supply for the marketplace and pricing that was relatively stable. We knew by 1996 that, if the conditions that occurred in 1995 continued, many of our growers and processing plants would go out of business."

These kinds of difficult economic conditions set the stage for change. Growers and processors found themselves engaged in many industry-wide discussions that eventually led to the development of a new federal marketing order to help reduce some of the surplus supply problems. And discussions continued into the subject of a new federated cooperative for tart cherry growers.

"By 1996, we knew we'd have a marketing order in place. It was a new tool we could use to help turn the situation around. And we thought that, if we were ever going to put together a 'super cooperative' like we'd talked about for years in this industry, this was



the time to do it," Jensen says.

The industry credits the creative thinking by some growers and processors who were willing to develop a strategic plan for CherrCo. While grain and livestock producers have developed "new generation" cooperatives, these fruit growers decided to stay the course by developing a "super cooperative" that bargained on behalf of its members rather than processing value-added products. Yet the tart cherry industry borrowed ideas from some of these other facets of agricultural cooperatives to put together its own organization.

In early 1997, CherrCo organizers brought Jensen on board as president of the "super cooperative." Months of hard work and many discussions across the country in cherry circles resulted in 78 percent of the industry willing to give the idea a try by a self-imposed deadline of June 1997.

During those grower and processor meetings, Jensen communicated CherrCo's two goals. First, CherrCo proposed

to stabilize the price of the industry's commodity products – No. 10 canned or hot-pack tart cherries and frozen tart cherry products. Second, CherrCo wanted that stable price to be at a level that helped keep growers and processors in business.

On July 1, the first CherrCo board voted to move ahead. By July 6, Washington state cherries were rolling into a processing plant.

As a federated cooperative, CherrCo now has 28 member cooperatives in the United States and Canada. It represents 75 to 80 percent of Michigan's tart cherry production and significant portions of the production in New York, Utah, Washington, Wisconsin and Ontario. Members range in size from



“Another year or two [of low prices] and we estimate that about half our growers and a good share of our processing plants would have gone out of business.”
–James Jensen

producing about 600,000 pounds to more than 10 million pounds annually.

The cooperative's primary directive is to establish minimum prices for various grades and packs of frozen and hot-pack tart cherries. Once a minimum price is set, individual members select sales agents, all of whom are licensed by the cooperative. Sales agents can represent more than one member.

But it is imperative that sales information be treated as proprietary and not shared with other members. Information about who is selling to whom and at what price is also confidential. By licensing the agents, CherrCo can ensure they follow procedures as well as abide by the established minimum price.



CherrCo concentrates its efforts on No. 10 canned or hot-pack tart cherries and frozen tart cherries. Photo by Forest McMullin./Agrilink

CherrCo also tracks and keeps a handle on the nation's tart cherry inventory. When and where possible, CherrCo and the licensed agents work to pool production to meet customer demands. Before cherries are processed, they are sent to storage facilities. At that time, the fruit is consigned to CherrCo.

However, the cooperative never has the cherries in its physical possession. Rather, the fruit remains in storage until a sale is made. If the minimum price requirement has been met, CherrCo releases the cherries. The cooperative then bills the buyer, collects from the buyer, subtracts an administrative charge to cover its expenses, and sends the balance of the proceeds to the cherry's growers.

"We're not in the retail business," Jensen emphasizes. "We don't have a brand name. We don't own any processing plants. Our members decide what they're going to do with their cherries and whom they're going to sell to. They hire their own sales staff licensed by CherrCo. We concentrate on ensuring we can maintain a price for our members."

Even though the issue of price is taken out of the marketing equation, CherrCo members find other avenues on which to compete against each other. Some members offer a mix of tart cherry and other farm-grown produce. Others specialize in just frozen or hot-packed tart cherries. Still others try to differentiate themselves from CherrCo competitors by building on their reputations in the industry, product quality, processing plant standards and capabilities, and any other special services they may develop to attract customers.

"But I think what we didn't realize, when putting this together, is a third thing that would happen. We're facilitating better discussions, better communication, throughout our industry. We're all at the table together and, while we are not all holding hands, we are at least not throwing things at each other," Jensen says. "There have been a lot of things happening in the tart cherry industry that have benefitted many that were enabled by CherrCo. Several times I've heard, 'Five years

ago, we would never have this conversation.'"

People never really knew each other, even in an industry with only a couple thousand growers across the nation. But what they did know about each other was that it was always "the other guy's fault" for the marketing problems the industry faced. Now the individual members are getting to know each other and understand the collective power that occurs when they can work together.

CherrCo's 28 members each hold a seat on the board, and those directors meet quarterly in addition to serving on committees that include marketing, quality, grower relations and strategic planning. "It allows us to involve all our members in discussions and decisions. It doesn't mean we all agree on everything even now, but we're at the table," he adds.

Yet, despite the developments and progress that have been made through organizations such as CherrCo and the new federal marketing order, the industry continues to be challenged by a number of ongoing fronts. Work is

needed to expand exports. More could be done to fine-tune supply management mechanisms. And both could help to stabilize prices even further for growers as well as their customers. Talking through these challenges has become critical in this specialty fruit industry whose grower numbers are easily dwarfed by other segments of U.S. agriculture.

A commitment to continued, industry-wide communication by organizations such as CherrCo was the motivation behind a major conference this past spring. During their time together, industry leaders looked at the various problems or major gaps in the tart cherry industry, and how various programs and

parts of the industry could work together more effectively to provide continued progress. And expectations are running high that events such as the conference, formation of organizations such as CherrCo and an ongoing dialog could act as catalysts to create even more changes. They may not happen overnight. But they certainly will require hard work. ■



CherrCo would like to increase exports and fine-tune supply management mechanisms. Grant Heilman Photo



Butter settlement: a glimpse into the future of antitrust enforcement?

By Donald A. Frederick
Program Leader, Law, Policy & Governance
USDA Rural Development

The rash of consolidations taking place throughout the food industry is placing pressure on all participants, including cooperatives, to become both more efficient and more effective in protecting and enhancing their market position. Public documents concerning a recent negotiated settlement between a major dairy marketing cooperative and the United States Department of Justice provide insight into how some cooperatives are dealing with changes in food marketing and how antitrust enforcement officials may react when cooperatives become the dominant players in a particular line of business.

Justice challenges dairy plan

On Dec. 15, 1999, Dairy Farmers of America (DFA) entered into a letter agreement to purchase SODIAAL North American Corporation (SODIAAL). DFA and SODIAAL were two of the three firms which accounted for over 90 percent of branded butter sales in the Philadelphia and New York metropolitan areas. The third firm in the market is Land O'Lakes Inc. DFA and Land O'Lakes are the two largest dairy marketing cooperatives (as measured by sales) in the United States. SODIAAL is a privately held subsidiary of a French cooperative.

Section 7 of the Clayton Antitrust Act (15 U.S.C. § 18) provides that one business shall not acquire another business when the effect of the acquisition

may be to substantially lessen competition or tend to create a monopoly. In March 2000, the United States Department of Justice filed a civil antitrust action to block the proposed acquisition. The Justice Department alleged that DFA's purchase of SODIAAL would substantially lessen competition in the butter market in Philadelphia and New York and therefore violated Sec. 7 of the Clayton Act.

Impact of Capper-Volstead

The Capper-Volstead Act provides a limited exemption from the antitrust laws for agricultural producers to process, handle, otherwise prepare for market, and market their farm products on a cooperative basis. Capper-Volstead specifically authorizes separate and competing cooperatives to form a common marketing agency to set prices and market member products as if the cooperatives were a single entity. Several court decisions have held farmers, through a single cooperative or a common marketing agency, may acquire substantial or even monopoly control over the sale of products they produce, so long as only farmers are involved in the scheme and the decision to work together is a voluntary one (not the result of coercion or intimidation by the cooperative(s) against nonmembers).

As part of the settlement process, the Justice Department published a Competitive Impact Statement summarizing its case. When reviewing the proposed acquisition, Justice gave special emphasis to two legal standards for interpreting Capper-Volstead. First, Justice noted that if the purchase went through as proposed, DFA and Land O'Lakes would control more than 90

percent of the branded butter market in Philadelphia and New York. Since both DFA and Land O'Lakes are agricultural cooperatives they could agree on the price and other terms of sale for their butter in these areas free from antitrust scrutiny.

Second, Justice took the position that SODIAAL, as a private subsidiary of a French cooperative, is not covered by Capper-Volstead. Thus the government was free to challenge its purchase by DFA as a violation of Sec. 7 of the Clayton Act. (65 Federal Register 44825, July 19, 2000).

The settlement

The United States (with the acquiescence of DFA) asked the court to approve a final judgment in the case that permits DFA to complete its acquisition of SODIAAL but prohibits DFA from joining with Land O'Lakes in any joint effort to market branded butter. Procedural rules that apply to settling antitrust cases require a 60-day period for public comment after the Proposed Final Judgment and Competitive Impact Statement are published in the Federal Register. No comments were filed. In November 2000, the judge signed an order implementing the proposed final judgment.

Under the settlement, DFA agrees to transfer all of its assets necessary to manufacture and market its branded butter on the East Coast, including DFA's interest in the "Breakstone's" brand, and all of the assets acquired from SODIAAL, including the "Keller's" and "Hotel Bar" brands, into a new limited liability company to be called Keller's Creamery, LLC. The

continued on page 30

Trading up

Plains Cotton Co-op uses computer technology to pursue business-to-business strategy

By Pamela J. Karg
Field Editor

Like many computer users, Plains Cotton Cooperative Association (PCCA) decided this spring it was time to trade up to the next business model.

With non-cooperative partners, PCCA created an Internet-based, business-to-business (B2B) marketing venue for cotton and cotton-related products. The partners include Allenberg Cotton Co., a division of the Louis Dreyfus Corporation, Duna-vant Enterprises and Cargill's Hohenberg division. Leaders from each organization believe the B2B venture creates a comprehensive, independent, electronic exchange for both prospective cotton suppliers and cotton customers.

The courage it takes to look into the future and imagine what could be is nothing new to the Lubbock, Texas, farmer-owned organization. That's how PCCA started in 1953 and that's how it greeted the new millennium when it announced the new venture — theSeam — that would take its producers to the next technological level in the world market.

Since 1975, PCCA members had used TELCOT, a mainframe-based computerized extension to the way producers had traded their cotton for decades. The online, real-time cotton marketing system was a centralized place where buyers and sellers could meet to trade cotton via computers connected to PCCA's servers.

Conceptually, it operated similarly to the New York Stock Exchange.

TELCOT gave producers a number of options to sell their cotton and it gave them access to major buyers. With this tool, farmers could receive the most competitive price available at the time of sale. TELCOT guaranteed each producer payment for the cotton sold and it guaranteed each buyer delivery of the cotton purchased.

PCCA President and CEO Van May says this year's new venture is a logical step for his marketing cooperative, one which prides itself on using new technologies, developing innovative and aggressive marketing strategies, and achieving the best possible prices for their farmers.

"PCCA has a legacy of innovation and industry leadership," says May. "Our 25-year commitment to the electronic marketplace has clearly demonstrated the many efficiencies and advantages of electronic trading. And we think this new venture — the Seam — is a catalyst for positive changes in our entire industry."

The initiative gained momentum in early summer with the addition of two prominent U.S. textile mills: Avondale Mills of Monroe, Ga.; and Parkdale Mills of Gastonia, N.C. Avondale and Parkdale are the largest U.S. consumers of cotton.

The new B2B marketplace is designed by and for the cotton industry. It operates as an independent company and the four initial investors each own an equal share. Their ownership percentages will decline as additional partners come on board.

Buyers and sellers of products and services get a single, convenient place to connect, conduct and facilitate transactions and better manage their

supply chains on the Seam. The B2B marketing system allows any merchant meeting necessary criteria and agreeing to pay the commissions to trade cotton. With just the TELCOT system, PCCA earned just one commission from the time the producer sold the cotton until it was delivered to a textile mill. But cotton typically changes hands an average of five times, and May says the Seam will garner commis-



sions at each trade. As one of the partners, PCCA and its members will share in those commissions.

The new venture also significantly expands the scope of PCCA's TELCOT system, which serves 53 buyers. However, May says there are approximately 200 cotton buyers in the United States and the new system is aimed at capturing a greater share of their business.

"We believe this new marketplace provides more choice, not less, for users, and they can instantly compare prices. This allows both sides of the supply-demand equation to buy or sell more efficiently because it's an open market," May says. "It shifts some competitive advantages to producers who now have immediate, online access to prices and other information. As we attract more buyers, this means more choices for farmers who want to sell their product."

"[This system] shifts some competitive advantages to producers, who now have immediate, online access to prices and other information."

—Van May

Additionally, PCCA members and their co-op gins see little difference in the way they sell cotton and receive payments.

"Our members continue to deal directly with PCCA," May says, though the new Internet-based company has a more modern look and feel to it. "We have changed TELCOT to a 'Windows'-based program, and we're now trading cotton over the Internet. Our members can still trade equities on the TELCOT system, and the service they're accustomed to continues, but TELCOT is really becoming the foundation on which theSeam is being built."

At first glance, it could appear that theSeam is the perfect opportunity for PCCA to expand its membership. But May says that's not the motive behind the B2B venture.

"Growers in other territories outside Oklahoma, Kansas and Texas will not become members of PCCA simply by trading their cotton on the new website," he explains. "Nor will they be



Over 22 million bales of cotton have been traded through PCCA's existing computerized system. PCCA spins much of that cotton into textiles in its Texas plants. Photos courtesy PCCA

eligible to participate in any of PCCA's dividends."

Rather, the site should improve the cotton industry's efficiencies which, in turn, can improve prices paid to producers. PCCA and the other partners agree that the multi-billion-dollar cotton industry has some inefficiencies that make it ideally suited to benefit from a B2B marketplace. May notes that the cotton industry is fragmented among producers, merchants and manufacturers, all of whom deal with incompatible, labor-intensive logistical systems. In many areas, cotton transactions still involve multiple, redundant faxes and phone communications. An online marketplace allows manufacturers and merchants to more effectively purchase and sell cotton and to expose producers to a far broader range of buyers and services.

"Competition should increase based on the number of merchants across the country, and this increased competition will have a positive impact. When cotton buyers compete, cotton producers benefit," May adds.

Texas and the other portions of the southwest served by PCCA is big, wide-open country. Services can be few and far between, including U.S. Department of Agriculture Service Centers. PCCA has developed a quasi-governmental role for itself, and will continue to do so even with the Seam B2B business.

Currently in its software system, PCCA differentiates between cotton placed in the Commodity Credit Corporation (CCC) loan program and non-loan cotton, and notifies buyers where the cotton was ginned and stored. In addition, it offers producers a loan advance program. Through it, producers can tender their cotton to PCCA and receive an interim cash advance equal to the CCC loan price. When the market is right, producers then notify PCCA to offer the cotton over TELCOT to obtain the best price available. In essence, the producer has an immediate cash advance available, and the cotton can be marketed at a later date.



The creation of the Seam e-trading place help could help lower costs of moving cotton from the field to the textile mill.

Over 22 million bales of cotton have been traded over TELCOT. The network has more than 300 remote sites supporting over 1,000 devices. The computer processes an average of 10 transactions per second and handles 175,000 to 350,000 transactions per day. In peak trading periods, more

than 25 transactions per second have been sustained.

"When you look at the numbers of what we've accomplished alone with our TELCOT marketing system, it doesn't take too much imagination to envision what an expanded B2B site can do for cotton," May adds. ■



Downward spiral for commodity prices continues; bottom line mixed for Plains co-ops

By David Cummins,
Ag Economist
USDA Rural Development

Editor's note: *This is Cummins' final Management Tip column. He is retiring Jan. 1, 2001, after more than 38 years with USDA, including 19 years with the Cooperative Services unit of USDA Rural Development and its predecessor agencies. Prior to that he worked with USDA's Economic Research Service and Federal Grain Inspection Service. His retirement home will be in Virginia's Shenandoah Valley, west of Staunton.*

Grain and total sales continued to slide downward in 1999 for cooperatives that are first-handlers of grain in the Northern Plains, where wheat-barley-oats co-ops are prevalent. Grain volume marketed by these co-ops was significantly higher in 1999 than in 1998 – up 20 percent for medium-sized co-ops (those with total sales of \$5 million to \$14.9 million) and up more than 15 percent for large co-ops (those with total sales of more than \$15 million).

Commodity prices, however, continued a sharp downward trend that has been ongoing for the past three to four years. Farm supply sales averages were considerably higher in 1999 for large grain co-ops and about the same in both years for medium-sized co-ops.

Net savings for large grain co-ops

averaged \$352,637 in 1999, compared with \$461,975 in 1998, a drop of nearly 24 percent. This followed a 17-percent drop in 1998. Net savings for the medium-sized co-ops averaged 12 percent higher, \$78,587 vs. \$70,142 in 1998.

Sixty-two percent of large grain co-ops and 64 percent of medium-sized grain co-ops in the Northern Plains reported lower net savings for 1999. The average decline in net savings for large co-ops was \$338,580, while medium-sized co-ops reported an average decline of \$105,192. Large co-ops that improved their bottom line in 1999 did so by an average of \$438,049, while medium-sized co-ops reported an average gain of \$102,390.

For large grain co-ops in the Northern Plains, gross income averaged more than 5 percent higher in 1999, but operating costs were more than 12 percent higher than in 1998. While grain margins were down, margins on total sales and service revenue were both up. Non-operating income dropped significantly, plunging 89 percent.

For medium-sized grain co-ops in this region, gross income averaged 15 percent higher, as increases in margins (for grain and farm supplies) and service revenue more than offset substantially lower non-operating income (patronage received from other co-ops). Operating expenses averaged about 15 percent higher.

Patronage refunds received from other co-ops declined 41 percent for

large grain cooperatives and dropped 35 percent for medium-sized co-ops. These refunds are a key component of non-operating income for co-ops, particularly for medium-sized operations. In 1999, these refunds accounted for 44 percent of net savings from total operations for large co-ops and 62 percent of net savings for medium-sized co-ops.

Nearly 7 percent of the medium-sized grain co-ops in 1999 had losses averaging more than \$261,000 per co-op. The loss rate, however, was down from nearly 23 percent in 1998. An additional 21 percent of medium-sized co-ops would have had losses (averaging about \$35,000 per co-op) if it hadn't been for patronage income. The loss rate for large grain co-ops was about the same in both years: 11 to 12 percent.

Southern Plains co-ops

Large Southern Plains wheat-sorghum co-ops averaged net savings of \$847,274 per co-op, up slightly from 1998 and the highest since at least 1982. Net savings for the medium-sized co-ops averaged \$250,022, down about 5 percent, but the second highest since at least 1982. Grain margins and service revenue increases were key factors for the large grain co-ops; farm supply margins and service revenue increases were key for the medium-sized co-ops. For large co-ops, an 8-percent increase in gross income more than offset 10 percent higher operating expenses. For medium-sized

co-ops, an 18-percent increase in gross revenue fell short of covering 23 percent higher total operating expenses.

Lower net savings in 1999 was reported by 62.5 percent of large and 61.5 percent of medium-sized grain co-ops. Corresponding dollar declines averaged \$331,072 and \$168,040.

Large and medium-sized grain cooperatives showing higher earnings in 1999 had increases of \$263,551 and \$94,859, respectively.

In 1999, as in 1998, grain price aver-

ages were down 14 percent for large co-ops and 17 percent for medium-sized co-ops. Grain volume marketed increased 18 percent for large and 16 percent for medium sized co-ops. Grain sales climbed an average 1 percent for large co-ops, but dropped more than 3 percent for medium-sized co-ops in 1999.

The incidence of losses among wheat-sorghum grain co-ops was 13 percent for the medium-sized co-ops, with no losses reported by the large

co-ops. As in 1998, fewer than 5 percent of the co-ops would have had losses if it had not been for patronage income received from other co-ops. This was in spite of sharply lower patronage income in 1999 – down more than 24 percent for large and down nearly 29 percent for medium-sized co-ops.

Producers continued to adjust to changing weather conditions and relative commodity prices in 1999. This was reflected in a change in the relative

Table 1 - Compare your wheat-sorghum cooperative with averages for similar cooperative operations

Group/Item	Unit	Total sales group (million dollars)				Your Cooperative
		5-14.9 (1998 Data)	15 or more (1998 Data)	5-14.9 (1999 Data)	15 or more (1999 Data)	
Storage capacity	Million Bu.	1.782	4.478	2.125	5.028	_____
Grain marketed	Million Bu.	2.098	6.672	2.441	7.875	_____
Turnover rate	Times	1.18	1.49	1.15	1.57	_____
Proportion grain	Percent	67.6	67.3	64.7	69.3	_____
Total assets	Million \$	3.585	11.225	4.276	12.244	_____
Long-term debt ^{1/}	Percent	6.6	8.0	6.8	9.4	_____
Member equity ^{1/}	Percent	63.0	54.8	63.0	52.3	_____
Total sales	Million \$	9.385	30.018	9.448	29.425	_____
Margins on sales	Million \$	.847	2.634	1.014	2.954	_____
Total expenses	Million \$	1.151	3.401	1.419	3.732	_____
Net savings (losses)	Million \$	.262	.842	.250	.847	_____
Labor of total expenses	Percent	47.8	46.8	48.7	46.7	_____
Net savings paid in cash ^{2/}	Percent	38.4	34.5	38.6	39.3	_____
Current ratio	Number	1.60	1.41	1.57	1.35	_____
Debt/assets	Ratio	.17	.24	.21	.29	_____
Net savings(loss)/tot. sales	Percent	2.8	2.8	2.6	2.9	_____
Gross margins/total sales	Percent	9.0	8.8	10.7	10.0	_____

1/ Of total liabilities and member equity. 2/ Of total patronage allocation.

proportions of the grains/oilseeds marketed by their co-ops.

A general shift from grain sorghum to primarily wheat and (to a lesser extent) corn was evident in the Southern Plains, particularly by large grain co-ops. In the Northern Plains, large grain co-ops handled significantly more corn and soybeans, along with more wheat, at the expense of barley, in 1999 than in 1998. Noteworthy for the medium-sized co-ops were an 84-percent

increase in "other crops" (mainly oats, sunflowers and rye) sold and a 34-percent increase in barley sold, at the expense of wheat.

How does your co-op measure up?

Benchmarks are common in business management to measure how well your cooperative is performing. However, such figures don't reveal how your cooperative compares with others.

If your cooperative is primarily a first-handler of wheat and sorghum or

handles wheat, barley and oats as its major function, comparative data for 1999 are now available. Tables 1 and 2 contain selected average financial and structural data compiled from a survey of Southern Plains and Northern Plains cooperatives marketing wheat and grain sorghum and wheat, barley and oats, respectively. Most cooperatives in the study were diversified, also handling farm supplies and providing related services. Fill in the blanks for your cooperative and see how it measures up. ■

Table 2 - Compare your wheat-barley-oats cooperative with averages for similar cooperative operations

Group/Item	Unit	Total sales group (million dollars)				Your Cooperative
		5-14.9 (1998 Data)	15 or more (1998 Data)	5-14.9 (1999 Data)	15 or more (1999 Data)	
Storage capacity	Million Bu.	.661	1.843	.863	2.560	_____
Grain marketed	Million Bu.	1.888	6.768	2.267	7.818	_____
Turnover rate	Times	2.86	3.67	2.63	3.05	_____
Proportion grain	Percent	79.0	84.6	78.9	80.0	_____
Total assets	Million \$	3.068	12.611	3.796	13.056	_____
Long-term debt ^{1/}	Percent	7.5	6.9	8.7	8.1	_____
Member equity ^{1/}	Percent	46.5	41.6	48.8	39.5	_____
Total sales	Million \$	8.430	26.573	8.391	25.952	_____
Margins on sales	Million \$	.436	1.740	.526	1.812	_____
Total expenses	Million \$	.593	1.940	.684	2.178	_____
Net savings (losses)	Million \$	.070	.462	.079	.353	_____
Labor of total expenses	Percent	43.7	45.3	43.2	46.2	_____
Net savings paid in cash ^{2/}	Percent	36.9	29.0	35.8	27.6	_____
Current ratio	Number	1.33	1.17	1.36	1.14	_____
Debt/assets	Ratio	.11	.11	.11	.11	_____
Net savings(loss)/tot. sales	Percent	0.8	1.7	0.9	1.4	_____
Gross margins/total sales	Percent	5.2	6.5	6.2	7.0	_____

1/ Of total liabilities and member equity. 2/ Of total patronage allocation.

Consolidation in the heartland

A closer look at grain co-op mergers and acquisitions, 1993-97



Anthony Crooks, *Agricultural Economist*
USDA Rural Development

When the directors of two small cooperatives in North Dakota approached USDA Rural Development in July 1997 for technical assistance regarding a possible merger, they probably had little idea of how large a trend they were joining. About 95 other grain cooperatives also merged or were acquired in 1997.

Both of these Dakota cooperatives — one a petroleum and farm supply cooperative with grain assets, the other a grain elevator cooperative — were seeking to strengthen their operations and improve financial performance. In addition to consolidating assets, these cooperatives wanted to expand a rail load-out facility owned by one of the cooperatives and add to an agronomy center near another facility. They also wanted to reduce grain shipping costs and to generate additional revenues from spring fertilizer sales. Both goals appeared to be financially rational at the time.

However, both cooperatives and their plans were soon superseded by an even bigger merger: that of Cenex and Harvest States Cooperatives. The merger of two giant, regional co-ops was the biggest wave in the recent tide of mergers, consolidations, alliances, joint ventures and acquisitions that has swept over the U.S. grain industry (as reported in this magazine in the Sept./Oct. 1998 and 1999 issues).

The small Dakota petroleum cooperative was an affiliate

of Cenex and a competitor of Harvest States. And thus the merger and improvement plans of these two small Dakota cooperatives was placed on an indefinite hold because of the merger of the two regional cooperatives.

About this time, a \$4 million joint venture was announced by Harvest States and one of its Dakota affiliates, a move which would lead to the construction of a terminal facility just down the road from where the two local co-ops had planned to expand their load-out facility.

Except for their relative size, the two planned mergers shared many similar characteristics. Each merger involved farm supply operations merging with grain marketing operations. Each co-op hoped that the merger would offer new business opportunities in one partner's specialty area while helping the other to restructure its operating costs. In addition, the co-ops were attempting to link their farmer-members into a production-marketing chain which would take the grain from field to buyer. They wanted to lower operating costs, share or redistribute business risk and expand operations.

It is easy to focus on the more sensational aspects of this story: two small, seemingly independent cooperatives being swept onto the economic sidelines by the decisions of the much larger regional cooperatives they belonged to. However, it is more instructive to view these four cooperatives as role players in the ongoing, widespread economic consolidation trend in agriculture. Strikingly similar occurrences have been witnessed repeatedly in recent years.

A soon-to-be-released report from USDA Rural Devel-

opment (Research Report 180, "Consolidation in the Heartland, 1993-97: A Closer Look at Grain Cooperative Mergers and Acquisitions") analyzes the operational and financial characteristics of co-ops that were merged, consolidated, went bankrupt or were closed for other reasons during those years. These businesses will be referred to as M/C ("merged or consolidated") co-ops in the balance of this article, which presents M/C and surviving cooperatives in

atives were involved with investor-owned firms (IOFs) in either a merger (8 of 330) or an acquisition (14).

Financial characteristics

The goal of the study was to answer some general questions about the financial health of grain cooperatives involved in mergers, acquisitions and other activities. Cooperatives that were involved with other co-ops and

Table 1 — Number of Grain Co-ops In and Out of Business, 1992-97, by Year and Size in Total Sales

Year	Grain cooperative size in Total Sales				Year	Grain cooperative size in Total Sales			
	\$15 million or greater	Between \$5 and \$15 million	Less than \$5 million	ALL		\$15 million or greater	Between \$5 and \$15 million	Less than \$5 million	ALL
Number of cooperatives In Business					Number of cooperatives "Out of Business"				
1992	419	570	204	1,193	1993	14	33	1	48
1993	405	537	203	1,145	1994	21	42	12	75
1994	384	495	191	1,070	1995	14	32	0	46
1995	370	463	191	1,024	1996	44	55	5	104
1996	326	408	186	920	1997	40	51	3	94
1997	286	357	183	826	Total	133	213	21	367
Average	354	452	191	997					

the context of agriculture's economic restructuring. Lessons learned from mergers, consolidations or other reasons for cooperative closures also provide some insights into the challenges that lie ahead for grain cooperatives hoping to thrive. Some of the highlights of this research follow.

Tracking co-op closures

The Rural Business-Cooperative Service, an agency of USDA Rural Development, began keeping detailed statistics on mergers, acquisitions, consolidations, bankruptcies and related activities in 1993 (table 1). During 1993-97, it counted 367 M/C events. On average, this is equal to about 8 percent of all large co-ops and 10 percent of all mid-sized cooperatives each year. In general, the majority (198, or 64 percent) of these M/C events occurred in 1996 and 1997 and among cooperatives having less than \$15 million in total sales. Most activity was in the nation's heartland. Eighty-seven percent occurred in the Corn Belt and Southern Plains regions (table 2).

Of the 367 cooperatives that were merged, consolidated or otherwise went out of business, 330 had total sales of at least \$5 million and were located in four principle grain-producing regions. The USDA research into this issue focuses on these 330 cooperatives.

Figure 1 illustrates the number of cooperatives involved in each type of M/C activity during the 1993-97 period. Almost 74 percent (246 of 330) involved cooperatives that merged with other cooperatives. A small number of cooper-

those that merged with, or were acquired by, IOFs are compared to each other. To compare M/C cooperatives with national averages for grain co-ops of their same relative size, a five-previous-year average was constructed for each (remaining) cooperative for each year of observation. In this way, M/C cooperatives were compared only with their cohorts. Grain cooperative balance sheets and operating statements were used to construct a set of generally recognized financial ratios. The ratios selected are associated with four general aspects of a business: profitability, liquidity, efficiency and solvency (table 3).

Profitability indicators generally compare the returns of the business (local net savings, from the operating statement) with another aspect of the cooperative's business. By each of the four profitability measures, M/C cooperatives, regardless of the size of the surviving firm, accrued modest returns over the five-year period. In every measure, M/C co-op performance was less than both the benchmark (used by CoBank) and the national average among grain cooperatives remaining in business.

Cooperatives and their creditors have a strong preference for a margin of safety against the operating uncertainties to which they are subject. Liquidity refers to a cooperative's ability to generate short-term cash in case of unexpected expenses. M/C cooperatives had liquidity difficulties. Except for large cooperatives that joined IOFs, M/C cooperatives failed to meet either national or benchmark standards for liquidity.

The relatively strong working-capital-to-sales performance posted by large cooperatives that merged with IOFs suggests a

Table 2 — Number of Grain Cooperatives Out of Business, 1993-97, by Region and Size

Region	Grain Cooperative Size in Total Sales			ALL
	\$15 million or greater	Between \$5 and \$15 million	Less than \$5 million	
Number of cooperatives "Out of Business"				
Corn Belt	102	156	12	270
Southern Plains	8	40	.	48
Northern Plains	15	4	7	26
Pacific Northwest	1	4	.	5
Other	7	9	2	18
Total	133	213	21	367

very good reason for these cooperatives' relative attractiveness as merger targets. Of course, it's possible that these values reflect relatively low sales. On the other hand, what firm wouldn't like to acquire a ready stream of working capital as part of the bargain?

Efficiency indicators provide some measure of how well the firm is managed. Because there is no direct measure for "management ability," these indicators serve as a proxy for two aspects of a manager's job: holding down costs and making the best use of the business' resources. M/C cooperatives showed relatively strong performance in efficiency. Regardless of other shortcomings, these co-ops were apparently blessed with management that made sure overall expenses (particularly labor) were kept low compared with income and that sales income was kept high compared with inventory. Efficient operations may have been the single most attractive feature to firms aspiring to acquire these cooperatives.

Solvency indicates a cooperative's long-term financial health. Solvency indicators include guidelines for the firm's interest expenses and liabilities relative to its income and equity. M/C cooperatives generally had mixed results regarding solvency. While large cooperatives that merged with IOFs were more solvent than those merging with other cooperatives, mid-sized cooperatives merging with other cooperatives were more

financially stable than those that merged with IOFs.

Are best co-ops cherry-picked?

A common perception is that the most promising cooperatives are quickly purchased by IOFs. This study refutes that belief in two ways.

First, while both groups of cooperatives were in poor financial health, those that merged with other cooperatives outperformed those that merged with IOFs. Table 3 reveals that for large cooperatives, those that merged with other cooperatives outperformed those that merged with IOFs in 8 of 13 indicators. Medium-sized cooperatives that merged with other cooperatives outperformed their counterparts that merged with IOFs in 9 of 13 indicators. In other words, cooperatives that merged with other cooperatives were generally more profitable, liquid, efficient and solvent than their those that merged with IOFs.

Second, a very broad measure of financial health was given to the 330 cooperatives that went out of business and their merging partners. Firms that performed no worse than 90 percent of the benchmark level for at least six of the 13 indicators were considered healthy. Firms that failed to achieve the 90 percent performance level for seven or more indicators were considered in poor financial health.

Table 4 summarizes the financial health of the 330 M/C cooperatives and their partners. Sixty-five percent

(82 of 126) of mergers that occurred among large cooperatives during 1993-97 involved two firms in poor financial health. Thirty-one percent (39) of the mergers occurred among a healthy and a not-so-healthy firm. And only 4 percent (5) of all large cooperative mergers during that period involved two healthy firms.

While a slightly larger percentage of medium-sized cooperative mergers (38 percent, or 63 of 204) involved at least one healthy firm, the implication remains the same for both groups. For the most part, cooperatives that went out of business during 1993-97 were performing poorly, or at least not as well as their surviving neighbors. In most categories, whether the average M/C cooperative was involved with a cooperative or becoming part of an IOF, its financial indicators were weaker than national averages and well short of benchmark values.

When a cooperative went out of business, it was in poor financial condition. To become part of another business — whether as a cooperative or an IOF — the co-op tended to accept the terms offered by its benefactor, not to dictate the terms. Few, if any, negotiations were carried on by these cooperatives from a position of strength.

Roughly two-fifths of the 291 cooperatives that stayed in the "cooperative family" were financially sound. However, of the 22 cooperatives that merged with or were acquired by an IOF, there was only one solid performer. So, if we look at the best among a group of relatively weaker cooperatives and ask if they were "cherry picked" or "stayed in the family," the answer is that they stayed. Of the 121 available "cherry" cooperatives that went out of business during the period, only one was "picked" by an IOF.

Predicting mergers and acquisitions

USDA wanted to know if a grain cooperative's financial health is able to say something about how likely it is to merge with, or be acquired by, another firm. An economic model was constructed to evaluate the likelihood of a

grain cooperative going out of business in the near term, given its financial performance record.

Each of the 14 financial ratios listed was used as a predictor to determine which variables, if any, could do a better job than the rest of predicting a cooperative's failure. A three-variable "best fit" was selected from among the 14 ratios using a special statistical procedure (RBS Research Report 180 provides specific details).

The odds of large grain cooperatives going out of business were most successfully predicted by the three ratios: return-to-total assets (-), expenses-to-sales (+), and labor-to-income (+). The "minus" sign after the "return-to-total assets" variable indicates that the likelihood of a cooperative going out of business increases as return-to-total-assets decreases. The results also show that it's more likely a cooperative will go out of business as the value of

expenses-to-sales and labor-to-income increase, hence the "plus" signs after those variables.

The fact that out of all 13 variables, these three were selected as having the most power for predicting which large grain cooperatives will go out of business says a lot about the challenges that confront remaining cooperatives. That one variable indicates profitability and the other two efficiency speaks to the relentless marked pressure in which

Table 3 — Financial Indicators: National Means and "Out of Business" Co-ops, By Size and Type, 5-year Means With Benchmark

	Total Sales of \$15 million or greater				Total Sales between \$5 and \$15 million		
	National In Business Average	Out of Business - to a Cooperative	Out of Business - to an IOF	Benchmark	National In Business Average	Out of Business - to a Cooperative	Out of Business - to an IOF
Profitability							
Return to Total Assets	0.08	0.01	(0.03)	0.08	0.06	0.00	(0.02)
Return to Fixed Assets	0.27	0.02	(0.01)	0.30	0.22	(0.00)*	(0.07)
Return to Equity	0.16	0.01	(0.06)	0.10	0.11	(0.00)*	(0.05)
Local Return to Local Assets	0.07	(0.02)	(0.04)	0.03	0.05	(0.02)	(0.05)
Liquidity							
Current Ratio	1.32	1.16	1.37	1.50	1.56	1.50	1.22
Quick Ratio	0.68	0.47	1.05	0.80	0.85	0.71	0.59
Working Capital to Sales	0.04	0.03	0.05	0.07	0.06	0.05	0.04
Efficiency							
Profitability	0.08	0.08	0.10	0.10	0.08	0.09	0.10
Labor to Income	0.37	0.38	0.32	0.35	0.39	0.37	0.39
Farm Supply Sales to Inventory	8	12	3	10	8	9	6
Solvency							
Times Interest Earned	3.84	0.15	0.91	3.00	4.02	0.04	(0.65)
Total Liabilities to Total Assets	0.45	0.47	0.32	0.50	0.36	0.31	0.41
LT Liabilities to Equity	1.17	1.32	0.95	1.00	0.80	0.75	1.28

Negative values are in parentheses.

* Value rounded to zero (0).

survival hinges on paper-thin profit margins. Managers are faced with seemingly impossible goals: making every asset a source of revenue while simultaneously reducing operating costs. The bigger challenge still is to remain in the game as every player gets bigger and more competitive.

This analysis suggests that merger targets among large grain cooperatives are likely to have the following financial characteristics: a positive, but relatively low return-to-total-assets (3 - 4 percent range), expenses-to-sales approaching 10 percent, and labor-to-income significantly exceeding the 35-percent benchmark (40 percent and above). Given these conditions, another 32 large cooperatives are likely candidates to go out of business in marketing year 2000.

Medium-sized grain cooperatives that went out of business were most successfully predicted by the three ratios: return-to-local-assets (-), expenses-to-sales (+), and return-to-fixed-assets (-). Again, the negative sign attached to two of the variables (local return-to-local-assets and return-to-fixed assets) indicates that, as these ratios increase, the likelihood of a co-op being forced into a merger, consolidation or some other reason for ceasing to operate as an independent entity.

Much like their larger counterparts, medium-sized cooperatives must balance profitability and efficiency. However, while the large cooperatives concern themselves more with efficiency, medium-sized co-ops must shift their emphasis toward profitability. It is significant that two of the three most important variables involve returns.

Of particular importance is the relative contribution of return-to-local assets. It is well known that many otherwise struggling local grain cooperatives have managed to survive from one year to the next on patronage received from regional cooperatives. The results of the model suggest, however, that those days are ending. Local returns are primary to a grain cooperative's success.

Merger targets among medium-sized grain cooperatives are likely to have the

following financial characteristics: a local return-to-total-assets of less than 2 percent, expenses-to-sales approaching 10 percent and a return-to-fixed assets of significantly less than the 30-percent benchmark (18 percent or less). Under these circumstances, another 60 medium-sized cooperatives are likely targets for consolidation in 2000.

To survive, large cooperatives need to be profitable and efficient, with an emphasis on efficiency, while medium-sized co-ops need to be efficient and profitable, with an emphasis on profitability. And — even more importantly — what does “survival” mean for grain cooperatives in the context of agriculture's widespread economic restructuring? Perhaps what has been learned about M/C cooperatives will provide some important keys to the challenges that lie ahead.

Consolidation implications

Even the most cursory look at the M/C cooperatives during the 1993-97 period suggests two predominant patterns: cooperatives in poor financial health seeking a partner to avoid bankruptcy; or, strong cooperatives seeking out stronger partners and/or expanding internally to position them-

selves strategically for the future.

In regard to both patterns, historians looking back on the late 1990s may very easily conclude that the “farm” crisis of two decades earlier simply “moved further up the food chain.” Many smaller farms were “shaken out” of the industry in the past generation. Now, even among the largest players remaining in agriculture, there is near universal agreement that “only the lowest cost operations will remain.”

The buildup of surpluses and declining export demand have driven prices to their lowest levels in decades. Expectations for their recovery are equally as bleak. What was once a cost-price squeeze may now be likened to a hammer and anvil.

Paper-thin profit margins and low expectations are forcing grain cooperatives, and the rest of agriculture, to lower operating costs. That means a firm must grow in size so as to spread operating costs over a larger business volume to gain “scale economies.”

A merger with another cooperative is often perceived as a way of gaining a step on the economic treadmill. By acquiring additional assets (such as storage facilities, unit-train loadout

USDA seeking more accounts of co-op mergers and closures

Is there a story to tell about a cooperative you worked for, or were a member of, which has merged, consolidated, went bankrupt or for some other reason ceased to operate as an independent business? USDA is developing a historical account of “consolidation in the heartland” and would like to add your story to the record.

Tell us briefly about your cooperative's activities along with the circumstances that led to the merger, consolidation or other action taken. Your note should also tell us what has happened to the membership and the community since the co-op ceased operations as an independent business. We will treat your information confidentially, if you so advise us.

Send your story (or questions) to the author of this article by e-mail: anthony.crooks@usda.gov, or by regular mail to: USDA/RBS, “Cooperative Consolidation,” Stop 3252, Washington, D.C. 20250-3252. If you don't have time to write out your account but would be willing to be interviewed, we would still like to hear from you. Send a phone number where you can be contacted.

Table 4 — Financial Health of Out of Business Co-ops and Their Partners: National, Regional, and Reason, by Size and Relative Condition

Out of Business Cooperatives	Total Sales of \$15 million or greater				Total Sales between \$5 and \$15 million			
	Both Poor	One Healthy	Both Healthy	Total	Both Poor	One Healthy	Both Healthy	Total
	Number of cooperatives				Number of cooperatives			
National	82	39	5	126	123	63	18	204
Corn Belt	60	37	5	102	102	45	9	156
Southern Plains	6	2		8	13	18	9	40
Northern Plains	15			15	4			4
Pacific Northwest	1			1	4			4
By Reason:								
Merged w/ Co-op	46	29	5	80	89	59	18	166
Acquired by Co-op	19			19	15			15
Consolidated w/ Co-op		10		10				
Merged w/ IOF	4			4		4		4
Acquired by IOF	5			5	9			9
Bankruptcy	4			4	6			6
Unknown Reason	4			4	4			4

facilities, etc.) relatively cheap, by combining two sales forces or accounting departments and other consolidation measures, firms hope the benefits of size will help them to structure their operating costs a notch lower.

This cost-saving behavior among two or more firms at the same level, or “link,” along the supply chain is characterized by economists as horizontal integration. Vertical integration, on the other hand, involves the forward or backward linking of two or more firms at different levels of the supply chain.

While supply chain integration is not a new event in agriculture, its increasing pervasiveness in recent years is prominent.

A supply chain is formed when one firm — usually a significantly dominant player or “integrator” — works to control (contractually or through ownership) the activities of firms (groups of firms) at each level of the production process, up to and including delivery to the consumer. These chains seek control.

Integrators assume command of the production and delivery process to assure themselves: a) that product quality meets their customers’ specific needs; b) that costs are driven to the absolute minimum, subject to meeting the quality specifications;

and c) that the associated risks are managed within acceptable levels.

Supply chain integration — long a fact of life in the poultry/broiler industry and becoming one in the pork industry — is now underway in the grain industry. The grain delivery system is not quite as complete as in the poultry/broiler industry. A handful of firms have yet to completely dominate seed development, production, processing and marketing with every coordinated step up and down the chain.

However, in recent years, we witnessed the harvest and marketing of herbicide-tolerant corn and soybeans. The so-called “Roundup®-ready” varieties are just the first of many crops derived from seed stock that was modified at the genetic level to garner specific properties. Moreover, we also watched several alliances of seed corporations with pharmaceutical firms formed with the specific interest of developing genetically modified seed stock. And, while both international and domestic markets have proved to be less than enthusiastic for genetically modified corn and soybeans — at least during the 1999-2000 marketing year — continued progress in bio-engineering is expected.

In short, the best available genetics were combined with the best (i.e., most profitable) production processes to

deliver products intended to meet the needs of an increasingly discriminating consumer.

The final choice

As the marketing chain structure dominates the grain industry, both cooperatives and their producer members are faced with a straightforward choice: build new partnerships or be left behind. Survivors in the poultry and pork industries successfully adjusted to a shift in emphasis from “commodity marketing” to “product delivery.” For producers and cooperatives in the grain industry, this will mean realignment to become an “integrator” themselves, such as Dakota Growers Pasta Cooperative of Carrington, N.D., or, at the very least, a reliable supplier to a cooperative integrator, for example, producers with membership and delivery rights of corn for Golden Oval layers in Renville, Minn. ■

References

- CoBank, National Bank for Cooperatives, “Analyzing a Cooperative Business: Designed for Midwestern Grain or Farm Supply Cooperatives,” self-published instructional pamphlet for directors and managers of agricultural cooperatives, undated.
- Drabenstott, Mark “Consolidation in U.S. Agriculture Leading to New Rural Landscape and Public Policy Considerations,” *Feedstuffs* 71:19, May 17, 1999, pp. 33,34,43, and 44.
- Hanson, Mark “Grain Co-op Votes in Favor of Terminal at Sterling: South Central Has Elevators in Three Towns,” *Bismark Tribune*, March 21, 1998, Metro Edition, pg. 8.
- Merlo, Katherine “When Cooperatives Combine,” *Rural Cooperatives* 65:5, Sept./Oct. 1998, pp. 18-23.
- Wadsworth, James J. “Large Cooperatives Unifying: A Strategic Trend to Monitor,” *Rural Cooperatives* 66:5, Sept./Oct. 1999, pp. 21-25.

Are you a good leader?

Director assessments are building blocks to productive board-management relationships

By James J. Wadsworth
Program Leader, Education and
Member Relations
USDA Rural Development

Editor's note: This article is excerpted from a forthcoming report, *CIR 58 "Assessing Performance and Needs of Cooperative Boards of Directors."* The report includes three board assessment exercises: (1) Director's self-assessment, (2) Full board performance assessment, and (3) Board meeting productivity assessment. This article discusses the first-director assessment; a subsequent article to appear in a future issue of this magazine will discuss the latter two assessments.

A common concern among cooperatives is the need to enhance or improve the relationship between management and the board. This does not necessarily imply that there are pervasive problems among the relationships of these cooperative leaders. But it does indicate that, at times, issues arise between managers and directors that may be detrimental or disruptive to smooth governance and management of cooperatives.

Managers and directors have distinct responsibilities. While managers are hired with the qualifications to run the cooperative and meet their many responsibilities, directors come from diverse backgrounds and experience levels. Many directors find their many responsibilities challenging. They are not often fully trained or completely able to perform the many duties required when elected to the board.

A learning curve is involved, and gaining necessary experience and skills takes time for directors. Differences in experience levels, ability and points of reference between directors and management sometime create instances of misunderstanding or conflict that may lead to weakened relationships.

Director assessment can help bridge such differences by providing a means for directors to enhance their abilities and better understand their distinct role in the cooperative. Assessments allow directors to visit both the vastness of their responsibilities and the limits imposed. They provide building blocks for more productive relationships between directors and their hired management.

Director assessment can be a very useful tool for all directors. Directors who lack experience and ability can lessen the time needed to gain the pertinent knowledge and skills for being an effective director by completing a self-assessment and then diligently working on areas that need improvement. And experienced directors, who certainly can use improvement in some areas, can accurately pinpoint weaknesses to address. Assessment makes this process easier through a plan specifically tailored to address identified weaknesses.

Knowledgeable, skilled directors better understand their roles and are better able to effectively serve. These directors are more likely to have a professional and productive relationship with management and other directors.



Related responsibilities

Assessment should correspond to directors' distinct responsibilities and duties. To set the stage for assessment, let's review some often-cited director responsibilities/duties (from Donald A. Frederick, *Co-ops 101: An Introduction to Cooperatives*, RBS Cooperative Information Report 55).

Working as a group, directors have the responsibility of setting the policies and objectives for the cooperative, and making decisions that set the course the cooperative will follow to achieve those objectives. More specifically, directors:

- Hire a competent manager, determine the salary, outline duties and authority of the position and formally review his/her performance at least annually;
- Adopt broad, general policies to guide the manager;
- Develop and adopt short- and

- long-range business strategies;
- Require written monthly financial reports and operating statements for board meetings to be informed of adverse as well as favorable operations;
- Direct the manager to prepare,



before the close of each year, an operating budget for the next fiscal year for board approval;

- Employ a qualified auditor to make an independent audit at least once each year;
- With the aid of the manager, plan and conduct the annual meeting to keep membership informed about the status of their business, including operations, finances and policies;
- Determine the patronage refund allocation and per-unit retain level;
- Assure that the cooperative has competent legal council;
- Keep and review records of the board's actions.

Directors are called on to complete more specific duties as well. Some examples include:

- Approving and disapproving major capital expenditures;

- Establishing the cooperative's financial structure and the authorization of any basic change in structure;
- Determining the boundaries of districts, divisions, locations of operations offices, etc.;
- Establishing appropriate election and voting procedures to maintain proper representation of members, including filling vacancies on the board or any other corporate body, committee, or organization that results from resignation, death, disqualification, etc.;
- Making decisions about the proper relationship with other farmer cooperatives and farm organizations;
- Making decisions about corporate membership in other organizations, associations and federations;
- Establishing the responsibilities and duties assigned to individual division boards and the individual committees;
- Establishing basic policies with regard to legislative or administrative decisions on local,

state, national and international levels that affect the welfare of the member-producer.

Directors should not expect to receive special favors from the manager or employees and a director does not:

- Act independently on matters that should be decided by the entire board;
- Represent special interests, factions, or political entities.

These are some of the major responsibilities of most cooperative directors. To carry them out, directors conduct a host of actions as individuals, as a group during board meetings and in other membership meetings. They are required to learn and carry themselves as directors, conducting necessary tasks and functions. They must be competent, diligent and active. They use the cooper-

ative and lead it. They need to have an in-depth understanding and knowledge of cooperatives and associated issues.

Areas and items to assess

Simply asking directors if they are able to meet a defined responsibility is too general a question. So, an assessment should include a series of specific statements under several key areas. Director responsibilities and duties can be broken down into a smaller number of significant knowledge and ability areas such as: managerial skills, finance, policies and planning, member relations, board operations, leadership and personal competence. In an assessment, directors determine what areas, or parts of areas, they need to improve.

An assessment is not a complicated exercise. Directors simply react to a series of items or statements associated with each key area to clarify where they have ability and where they need improvement. For example, a number of items (gleaned from work from Harold E. Chapman's "The Contemporary Director: A Handbook for Elected Officials of Co-operatives, Credit Unions, and Other Organizations," Saskatchewan Cooperative College of Canada, 1986) are identified here under the "seven knowledge/ability areas." These areas and statements are directly associated with various director responsibilities and duties.

Managerial Skills

- I am able to help establish the job description for the general manager, including the specific duties and responsibilities;
- I am able to participate in the recruitment, selection and hiring of a general manager;
- I am able to participate in a performance review and appraisal of the general manager;
- I am able to participate in establishing the compensation for the general manager.

Finance

- I am able to define financial objectives and develop policies to guide capital and operational financial decisions;
- I am able to analyze and approve capital expenditure plans;
- I am able to interpret the cooperative's financial statements and to assess the viability of the cooperative;
- I am able to understand financial ratios and analyze trends;
- I am able to analyze budget proposals and approve the annual budget;
- I am able to analyze proposals and participate in discussions on major financial matters;
- I am able to compare actual financial performance to the budget;
- I am able to analyze and participate in decisions involving the distribution of net savings or losses;
- I am able to understand and analyze the cooperative's financial investments;
- I am able to explain the cooperative's financial position to others when required;
- I am able to explain the cooperative's equity redemption program to members;
- I am able to analyze equity redemption requests and establish equity redemption policy.

Policies/Planning

- I am able to help establish objectives and policies for operations and services of the cooperative;
- I am able to appraise the adequacy of operations and services of the cooperative;
- I am able to understand feasibility studies and analyze proposed changes and their implications for long-term operations and member-service;
- I am able to analyze and approve annual plans for services, operations and facilities;
- I understand the cooperative's planning system and am able to actively participate in the process;
- I am able to develop objectives in line

- with member needs and the cooperative's resource base and operations;
- I am able to take part in brainstorming sessions and provide ideas/strategies relevant to the cooperative's objectives;
- I am able to evaluate the effectiveness of the cooperative's performance against its plans.

Member Relations

- I am able to analyze proposals and approve a program and budget for



- member and public relations in the cooperative;
- I am able to evaluate the effectiveness of the member relations program;
- I am able to communicate well with members;
- I am able to represent the cooperative at public functions when requested;
- I am able to receive ideas and expressions of concern from members and to initiate appropriate action on their behalf;
- I am able to analyze and approve objectives, policies and strategies for maintaining effective relations with the public, other cooperatives and government agencies;
- I am able to assist in planning the annual meeting program to maximize member involvement and input;

- I am able to encourage members to attend annual and other meetings of the cooperative;
- I am able to analyze and make decisions on applications for membership;
- I understand the cooperative's operating territory and membership districts and boundaries.

Board Operations

- I am able to work well with other directors and the management team;
- I fully understand the procedures for appointing officers and take an active part;
- I am able to plan, prepare and articulate my thoughts to maximize group participation in board decisions;
- I am able to participate as a member of a committee and chair it, if required;
- I am able to effectively communicate my opinions and feelings to the board;
- I am able to take part in all important board discussions, fully representing my member constituents;
- I am able to analyze and recommend appropriate per diem, travel and sustenance allowances for directors.

Leadership

- I am able to inform others of the history, values, principles, organization and functioning of the cooperative;
- I am able to actively support and promote cooperative activity in the community;
- I actively patronize the cooperative and display active cooperative membership;
- I understand the cooperative's system of governance;
- I fully understand the qualifications for board leadership positions;
- I keep attuned to agricultural, business and environmental issues and work to be knowledgeable in all concerns effecting the cooperative;
- I take my role of director seriously and work to improve my performance;
- I do my best to help my fellow direc-

- tors and members when asked;
- I understand that when the discussion and decision of an issue is completed, I am responsible to support the board's majority's decision;
- I elicit feelings of confidence, trust and respect from fellow members.

Personal Competence

- I am able to assess my personal training needs for the role of director;
- I fully understand the role (responsibilities, duties) of a director and feel competent to fulfill it;
- I contribute to the productivity of meetings by participating effectively;
- I am on time and present at all board and committee meetings (emergencies being exceptions);
- I am able to effectively inform members and the public of the purposes, structure, financing, services, legal framework and operations of the cooperative;
- I am able to listen and speak effectively with individuals and groups;
- I am able to prepare and present written and oral reports;
- I am able to prepare plans for carrying out activities and to measure the results;
- I am able to direct the affairs of the cooperative consistent with the bylaws, articles of incorporation, and other relevant regulations and statutes;
- I am knowledgeable about the potential liabilities of being a director.

Use of statements such as these can provide a comprehensive assessment of directors' abilities. Directors must be candid in rating their knowledge, ability and performance in accordance with each statement. A consistent system for evaluation should be used. For example, statements could be evaluated as: yes — this is not a problem and training is not needed; unsure — I'm unsure about this and could use some training for improvement; or no — I need training and improvement.

Evaluating statements on an individual basis is the first part of assessment. Following evaluation, directors review and identify those statements to which they did not assess a "yes." Then they should provide input on how they might improve some of their self-diagnosed weaknesses.

Individual cooperative boards may wish to re-word some of these statements, add others or subtract some to better fit their unique circumstances. The idea is to create an exercise that will effectively evaluate directors, given their distinct associated responsibilities and duties to their cooperative.

Develop training, track progress

The major goal behind director assessment is not merely to pinpoint individual weaknesses, but to find ways that directors can improve their ability and performance — to be better directors. The theme for improvement is simple. Cooperative boards need to proactively identify weaknesses to find and to implement appropriate methods for correction. They need to seek necessary resources and take advantage of materials, programs, classes, workshops, seminars, conferences and other educational activities.

Informal training may be all that's needed. Simply providing the directors with pertinent reading materials or some type of individual or group tutoring may make some improvements. Directors can also help each other. Experienced, effective directors can be valuable resources for some types of training. Management may also participate in tutoring certain areas.

There are many informational and educational materials available. USDA's Rural Business-Cooperative Service provides many related publications and materials and other cooperative-oriented organizations have readily available resources. Visit the Cooperative Services website at <http://www.rurdev.usda.gov/rbs/pub/cooprpts.htm>.

Formal training may be required,

too. Director training workshops are an easy way to target numerous weaknesses and teach a number of directors at once. Workshops, of course, are not a new idea. Many have been held in various locations and times over the years. State, regional and national cooperative organizations and educational institutions organize workshops.

For example, state cooperative councils and regional centers often provide this service. Representatives of state departments of agriculture and governmental agencies such as USDA and university personnel also become involved. Cooperative-related institutions also hold other classes, conferences and seminars.

The board of directors should consider discussing some of the major weaknesses identified from the self-assessments to surface ideas on best methods for developing improvement programs. Sometimes a single program can alleviate a problem area identified by a number of directors.

Once training has been developed and implemented, it is important that the board track past director needs and the types of training used. Such information will be useful for future assessments and training programs.

Director assessment should be an ongoing process. Director assessments need to be completed and then actively monitored. Assessments should be active instruments by which progress is regularly checked during the course of a director's tenure. Directors should review their assessments on a regular basis. Most directors will be able to clearly see where they've made progress or need further improvement. However, a director should feel free to take a new self-assessment at any time. Learning to be a competent director with a professional and productive relationship with management is a continuing process — which is the goal of self-assessment. ■

Cooperative Agro Pastorale Segbeya

African swine-raising cooperative struggles to survive and prosper

By Azanmasso Joseph and Steven Graham

Editor's note: *Joseph is president of Cooperative Agro Pastorale Segbeya; he met Graham when both worked with the Peace Corps in West Africa in the 1970s; Graham was administrator of the Kansas Wheat Commission from 1980-95, and has since then served as assistant to the dean and director of agriculture at Kansas State University.*

The "Cooperative Agro Pastorale Segbeya" was started in 1994 by swine producers in Benin, West Africa. The co-op faces many challenges to develop and grow, not unlike many facing cooperatives in the United States.

Benin is slightly smaller than Pennsylvania, with a population of 6.3 million. It is located west of Nigeria and east of Togo. As a former French colony, the country's official language is French, but there are eight major tribal languages spoken within its borders.

Benin is primarily an agricultural country, producing ample fruits, vegetables, peanuts, corn, cotton, and livestock for its own use plus limited export. The southern half of Benin receives rain in two periods each year, and thus two growing seasons. The northern half is drier and only has one growing season. Commodity exports from Benin include cotton, crude oil, palm products, and cocoa.

The population in the southern half of Benin is more affluent than in the north, and one of the meats consumed

in large quantity is pork, especially in the County of Toffo in the Atlantique Province, or Department of South Central Benin. Other preferred meats are poultry, fish and beef. This rich agricultural region is located just north and west of Cotonou, the country's most populous city.

Subsistence farmers

Agriculture in Benin is primarily of the subsistence-type, with the exception of a few palm or fruit tree plantations. Farmers usually clear a couple acres and plant a mixture of tall and short crops on the land for a few years. That land is then allowed to go fallow and another piece of land is cleared. Livestock is primarily allowed to range free and forage for whatever food can be found. Beninese producers do not talk in terms of production days for livestock but rather in terms of months or years.

A rudimentary Agricultural Extension Service exists and provides the very slimmest of technical information and assistance. The assistance available depends greatly upon the knowledge base of the local extension agent and whether the agent is reaching out to the producers through meetings in their local villages.

There is no system of banks or organizations providing credit to the subsistence farmers who might want to try some new type of crop or livestock production system. Money is transferred to local villages through the many Post, Telegraph & Telephone offices (PTT) throughout the country. If people receive checks from overseas and do not live in one of the few cities

in Benin and have a bank account, they will not be able to cash those checks. Instead, they must receive their money in the form of international postal money orders, which can be cashed at their local PTT.

Many roadblocks slow progress

Small producers wanting to try new ideas which cost money face a very difficult situation. Either they need to band together and form a cooperative or find some backer with money.

Those wanting to form a cooperative in Benin discover many of the same roadblocks as in the United States. For example, previous cooperatives that have failed reduce chances for new ones to begin. There are also issues such as finding the right mix of farmers to join, deciding on a reasonable and attainable business plan, and determining how to direct and manage the cooperative to a profitable position.

Even when producers form a cooperative, they have great difficulty convincing authorities to take the group seriously and provide technical or financial assistance. The following story is about a cooperative in Benin, West Africa, that faced the difficulties and has continued to operate.

Editor's note: *The following portion of this article is told in the words of the cooperative's president, Azanmasso Menai Joseph, translated from French.*

Genesis of the co-op

"Realizing the affluence of the population in the neighboring Oueme Province for the purchase of pork and the great consumption by the popula-



Recognizing the wealth of its neighbors and their willingness to buy pork, seven West African producers — including Azanmasso Joseph — have joined forces to raise and market hogs. Photo courtesy CAPS

tion in the Atlantique Province, especially by persons of Toffo County and, in particular, the Community of Ouagbo, I had an idea. On April 11, 1994, I invited 10 farmers to come together and create a cooperative for the purpose of producing swine. Seven of the invited farmers responded favorably and created a cooperative: the Cooperative Agro Pastorale Segbeya—which, to this day, is working together as a cooperative and a team.

“With our own resources, we bought a piece of land and paid for the construction of a new semi-confined hog operation, including a building and walled lot. It opened on June 1994.

“Through the life experiences of each cooperator and using whatever technical, financial and human measures and methods possible, the cooperative hoped to create a more modern and rational system of producing swine in the community of Ouagbo.

“The cooperative’s objectives were to: 1) Satisfy the demands of the local population for pork meat; and 2) Provide reasonable income to the cooperators who initiated the cooperative.

“In addition, we wanted to pull from this experience the lessons that would permit us to aid other farmers who might want to abandon the traditional ways of raising swine and become more self-sufficient in the production of

animal protein in Toffo County and our community of Ouagbo.

Goals of the Cooperative

“The overall goal of the Cooperative Agro Pastorale Segbeya is to change the traditional system of raising swine in the County of Toffo and, in particular, in the community of Ouagbo, by developing a new swine-raising system that mixes a local breed of swine with an imported breed. The cooperative raises crossbred swine, using imported males and local females.

Co-op’s accomplishments

“Based on the planned objectives and purposes for the cooperative, the results have been positive, though income did not increase as much as desired because three-fourths of the annual receipts are destined to pay for the animal feed and the veterinary services. Therefore, we decided to buy one hectare of land to cultivate and raise food for the swine. We received a gift of money from Steven and Cheri Graham to buy the land. I had worked with Mr. Graham when he was a Peace Corps volunteer in my country from 1974-76, and we have stayed in contact over the years since he left.

“From 1994 when the cooperative started, until November 1997, more than 75 head were in our production

system. But in November 1997, a disease killed many swine in Benin. The cooperative faced great losses and big difficulties. Previous receipts were used to take care of the remaining swine, but the government was eventually forced to order all swine killed to stop the spread of the disease.

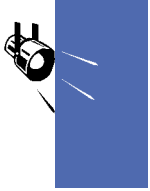
“We were finally allowed to restart production in 1999. The government imported swine, which we were required to purchase, and authorized our new efforts. We purchased three females and one male. The females have now had one litter apiece.

Future Plans

“Despite all the difficulties, we still have the desire and the will to succeed in livestock rearing. We hope to add another animal to our mix and spread the risk. Also, we would like to purchase more farmland to use in producing feed for the animals. We investigated what it would take to raise chickens, fish or agouti, a local, raccoon-sized, wild animal that is considered a delicacy.

“We thank those who have assisted us over the years for the opportunity to work together as the Cooperative Agro Pastorale Segbeya. We appreciate the opportunity to share our story with friends in other parts of the world. May God bless us all.” ■

Readers with suggestions that could help farmers’ organizations in Benin or other West African nations can contact Steven Graham at: 1603 Little Kitten Avenue, Manhattan, KS 66503-7543. His phone number is 785-532-5729 and his e-mail is steveng@ksu.edu.



Glenn Webb

Former Board Chairman and President GROWMARK, Bloomington, Ill.

Personal, farm and education: O. Glenn Webb and his wife, Phyllis, have raised three children on a fruit and cattle operation. He earned a bachelor's degree in agriculture from the University of Illinois in 1957. Webb went on to earn a master's degree and a Ph.D. in education administration from Southern Illinois University.

Co-op service: At age 25, this Tunnel Hill, Ill., native was elected to the Fruit Belt Service Co. board to fill the seat vacated by his father Ray, who was retiring from the board. Over the next 38 years, Webb served on the boards of FS Services Inc. and then the Illinois Grain Corp. before becoming FS Services board secretary and then its vice president. In 1980, when GROWMARK was formed through the merger of FS Services and Illinois Grain Corporation, Webb was elected board chairman and president. He retired from that post at the end of the cooperative's 2000 annual meeting on Aug. 31.

Other leadership posts: Webb has served on the boards of CoBank, Federal Farm Credit Banks Funding Corp., Archer Daniels Midland, ADM/GROWMARK, CF Industries, Graduate Institute of Cooperative Leadership, Illinois Agricultural Leadership Foundation, National Forum on NonPoint Source Pollution and the American Institute of Cooperation. "I hope to continue to stay involved for a while in the Farm Credit system, maybe serve on the ADM corporate board for awhile. And, of course, be involved in the community here and in the church. It will just be a different balance. I am fully aware there are so many things to do that I certainly don't plan to



Glenn Webb

pull up a rocking chair and be a spectator as the world goes by."

Co-op honors: Webb was named National Cooperative Statesman in 1988. In April 2000, he was inducted into the Cooperative Hall of Fame.

Why such a commitment to education? "I think it's unfair to a director to be elected, to come on board for what, today, are multi-million-dollar companies and not provide for that director some level of education, some level of training that helps them understand their role better and gives them more confidence in terms of doing the job that shareholders expect of them."

What legacy do you leave behind at GROWMARK? "I hope I've left the impression and developed the culture that we're not afraid to take action because we're afraid we're going to make a mistake. I think you just like to think that, after you've left a leadership role, people would reflect back and say, 'Yeah, that leadership was responsible.

That leadership was forward-thinking. That leadership was genuine. That it was sincere. That it was people directed.' I think those are some of the things I would hope would be viewed as my impact here.

"I believe that GROWMARK is at a time in which we need to continue to have sustained, strong leadership. I feel very good about the quality of that leadership that's on the board of directors of GROWMARK at the present time, and those who will come on. So I don't have any concerns about any vacuum of leadership on the GROWMARK board. It's there. Very top quality people there. I just felt it was probably the right time for me and the right time for GROWMARK, and probably the latter more so than the former."

What has been the strength of GROWMARK? "I think the greatest strength we have is the cohesion of the members in the system. Our vision statement discusses how we want to be the best cooperative system in North America. I think the key word is system, and I think the strength has been that we've acted as a system. Now, have we always done that? No. But have we done it to the extent that it's given us great strength? Yes. And I am encouraged that that will continue to be a strength of the GROWMARK system. If we lose that inter-dependence of one cooperative member with the other in the GROWMARK system, and the inter-dependence between those member cooperatives and GROWMARK, then I think we would have lost a tremendous element of our past success and a potential for the future." ■



Nation's largest local co-op to reorganize

Problems associated with rapid growth through consolidations and mergers during the past decade have forced Farmers Cooperative Association (FCA) – the largest cooperative in Kansas and probably the largest local co-op in the country – into Chapter 11 bankruptcy. However, the co-op's continued operation has been assured by a federal judge.

FCA, based in Lawrence, Kan., filed its reorganization plan with the U.S. Bankruptcy Court Judge John Flanagan in Kansas City, Kan. Contributing to the co-op's financial problems were the depressed agricultural economy, dwindling federal subsidies, elimination of crop-storage programs and declining sales. The co-op's sales totaled \$76.2 million in 1997, \$62.7 million in 1999, and will drop further for 2000.

CoBank — the co-op's largest creditor, holding \$10 million of the co-op's \$20 million in debt – appointed Don Dumler as FCA chief operating officer and president after his predecessor was dismissed in June. Dumler said the cooperative already has sold some of its facilities and will eliminate or transfer some of its 130 employees.

At one point, the cooperative had to stop buying grain for lack of money to pay for it. But limited purchases from FCA's 3,500 members in northeastern

Kansas have resumed, to the extent that cash has been available. The co-op reported having 3.5 million bushels of grain in storage and \$30 million in assets. Reorganization is expected to take months to accomplish.

Gold Kist offers skillet meals

Gold-Kist, an Atlanta-based poultry processing cooperative, has introduced a new line of "Dish in a Dash" skillet

meals. The fully cooked dinners feature all-natural chicken with vegetables, gourmet sauce and rice or pasta. "The nutritious, single-step dinners are convenient meal solutions that today's consumer demands," says

John Bekkers, Gold Kist president and chief operating officer. The dual servings in a 24-ounce bag can be prepared in minutes in a skillet or microwave.



Sugarbeet co-op eyes purchase of Western Sugar

Rocky Mountain Sugar Growers Cooperative (RMSGC) has signed a letter of intent to pay \$78 million to buy Western Sugar Co.'s six sugarbeet processing plants. Western Sugar is owned by a sub-

siary of Tate and Lyle LLC, an English firm that purchased the plants in 1980 from the holdings of the bankrupt Great Western Sugar Co.

RMSGC growers say with sugar prices depressed this year, they hope owning the plants that process their crop will help them farm more profitably. "This is a pretty bad time for us," Frank Eckhardt of La Salle, Colo., told the *Denver Post*. "Prices are down, and we're looking at some way to help ourselves," added Eckhardt, treasurer of the Colorado Sugarbeet Growers Association. The purchase plan hinges on the co-op obtaining financing and getting enough crop delivery commitments from growers to keep the plants operating at near capacity.

The co-op will have to find bank financing for about \$52 million, with grower members investing the remaining \$26 million, based on payments of \$180 per acre.

Western Sugar currently has 185,000 acres of sugarbeets under contract in four states and 600 employees. About 1,000 family farms are represented in

the five participating beet-grower groups in Nebraska, Wyoming, Colorado and Montana who plan to conclude the sale within six months, pending financing and grower investment.

The plan mirrors an earlier cooperative effort to buy Great Western Sugar in 1973. That plan failed amid



Rocky Mountain Sugar Growers is pursuing the purchase of six Western Sugar plants.

opposition from North Platte Valley growers. Great Western was forced to seek bankruptcy protection in 1985. Sugar beet prices have plummeted since December 1999 due to over-production.

Fremont Co-op joins AMPI

Members of southern Minnesota's Fremont Cooperative voted to merge with Associated Milk Producers Inc. (AMPI), New Ulm, Minn. The merger added about 30 million pounds of milk produced by 40 farmers to AMPI's 5.1 billion pounds of milk produced by 5,000 members.

Dan Olson, Fremont board chairman, said the merger resulted from changes in the dairy industry. A dairy producer from Lewiston, Minn., Olson said his cooperative had been serving farmers for nearly 10 years. "AMPI will provide a stable market for our milk, member services, and secure our cooperative's equity," he said. Milk from Fremont will be shipped to AMPI's manufacturing plant at Rochester, Minn. Last October, Glencoe (Minn.) Butter & Produce Association merged with AMPI.

Meanwhile, AMPI broke ground for a \$3 million expansion of its cheese cutting, wrapping and processing operation at Portage, Wis. When completed next spring, it will increase the plant's cooler pallet capacity by 85 percent and add 25,000 square feet to the facility. Each month the Portage plant converts about 13 million pounds of bulk cheese into processed cheese loaves, cheese slices, shredded cheese and natural cuts.

Youngdahl new CEO at Blue Diamond

The board of directors at Sacramento-based Blue Diamond Growers has chosen Doug Youngdahl as its seventh president. He will assume responsibilities Feb. 1, 2001, when current President Walt Payne retires from the 90-year-old California almond marketing cooperative.

Youngdahl has been with the cooperative since 1997. He said he is "committed to making Blue Diamond the world's premier tree-nut company in terms of growth and return on investment to our



Doug Youngdahl

growers." Currently, Youngdahl is director of the Americas Industrial Business and served on the Almond Board of California. The new executive was

expected to discuss his plans for the cooperative with members attending their 90th annual meeting November 30.

Michigan blueberry co-op launches venture with Chile

MBG Marketing, a berry marketing cooperative in Grand Rapids, Mich., is joining with Hortifruit, Chile's largest berry grower, in a new joint venture. MBG and Hortifruit have formed a new fresh marketing venture called Global Berry Farm LLC. It will supply berry markets around the world. Global Berry will exclusively represent growers from the United States, Chile, Mexico and Guatemala. The firm will be based at Naples, Fla., and market fresh blueberries, raspberries, blackberries, strawberries, and golden raspberries under both companies' existing labels. Requested photo or logo

Agri-Mark opens whey plant

"Our goal is to squeeze every drop of profit from every drop of milk we market for our farmer-owners," stressed Paul Johnson, Agri-Mark's president

and chief executive officer, during the October grand opening of the cooperative's \$20 million whey processing plant at Middlebury, Vt. The facility is adjacent to the largest of the cooperative's two cheddar cheese plants.

The cooperative has been scrambling for whey markets ever since Vermont Whey closed its plant two years ago. "Rather than paying to dispose of cheese whey, we are now producing valuable whey protein isotopes that will add profits in years to come," said Carl Peterson, Agri-Mark's chairman from Delano, N.Y.

Growing Cabot cheese sales is forcing Agri-Mark to operate its cheese production plants six or seven days a week. With more cheese production comes more whey, the natural by-product of the cheesemaking process. So the cooperative signed an agreement with Century Foods International, Sparta, Wis., which will purchase and market all the whey proteins and de-proteinated whey powders Agri-Mark can produce. Century Foods is the largest manufacturer and distributor of whey-based products in the United States. It also markets products in more than 46 foreign countries.

Minn. canola co-op looks to Mexican market

Equipped with a small plastic bag containing some seed meal, Art Brandli, a farmer from Warrod, Minn., recently joined several dozen Minnesota businessmen on a trade mission to Mexico. During a stop at a Guadalajara egg pro-



Agri-Mark's new plant is isolating, drying and packaging lacto-ferrin from proteins found in whey, the natural by product of the cheesemaking industry. Photo courtesy Agri-Mark

cessing plant, Brandli, chairman of FarmConnect, a new Minnesota service cooperative, heard canola mentioned. Out popped his plastic bag containing a seed sample so his hosts could see how productive their chickens would be dining on northern Minnesota canola meal.

It was a perfect meeting for both the farmer and his new cooperative. The Mexican egg plant manager asked if Brandli could supply 2,000 metric tons per month throughout the year. Brandli handed him his business card and told him that FarmConnect members should be able to grow and ship product that would meet the processor's specifications.

The trade mission was headed by Minnesota Governor Jesse Ventura and included Carl Wittenburg of Northern Pride, a turkey processor at Thief River Falls, Minn. Wittenburg said the doors opened by the trade mission put him in contact with Mexican companies that may offer joint venture opportunities. While the cooperative already sells dark turkey meat in Mexico, Wittenburg said Minnesota's labor shortage and Mexico's low wages suggested that a Mexican-based processor would benefit both sides of the border.

Washington growers lose credit co-op

Apple growers in Washington state are losing a creditor that has served their industry for the past 55 years. Growers Credit Cooperative will close this winter. The Spokane office of CoBank told the cooperative this summer that it would no longer finance its operation. Manager Ron Ward said many growers hadn't made a profit for three years and more than half of the 150 members were delinquent on payments after the disastrous 1998 season. The co-op had a loan carryover of more than \$2 million from 1997, another \$5.5 million from 1998, and an estimated \$2 million for 1999. A number of growers may turn to USDA's Farm Services Administration, considered a lender of last resort on commercial financing, but its local loan cap is \$200,000.

Faulty co-op ventures worth 'post mortem'

New business supporters believe their ventures will succeed. But if they don't, there's a tendency to avoid talking about it. A Colorado attorney who has worked with cooperatives for the past 20 years believes it's worth re-examining failed ventures to learn valuable lessons for the future.

Writing in the Colorado Cooperative Council's newsletter, Attorney Ted Svitavsky believes management and the board could benefit from conducting a "post mortem" on a failed, or less than successful, venture.

Svitavsky said successful ventures are periodically "rolled out to tout cooperatives working together." But discussions are avoided about failed enterprises.

"One of the harsh realities of today's world is that there are very few people who care whether a cooperative enterprise succeeds or fails. And, in fact, quite a few people would like to see cooperatives fail at whatever they do. It should be apparent to all of us who do care that cooperatives must take care of themselves. Cooperatives have a legitimate interest in taking care of each other and making sure the infrastructure that has been built survives," Svitavsky said.

He suggested one way was to "critique, not criticize" ventures that cooperatives have begun but which did not meet expectations, in order to learn from those experiences."

For those cooperatives that may have stumbled while trying to better themselves, the attorney cited President Theodore Roosevelt's observation: "It is not the critic who counts, not the one who points out how the strong man or woman tumbled, or how the doer of deeds might have done them better. The credit belongs to the man or woman who is actually in the arena, whose face is marred with sweat, dust and blood; who strives valiantly; who errs and comes up short again and again; who knows the great enthusiasm, the great devotions, and spends himself or herself in a worthy cause; and who – if he or she fails while

daring greatly – his or her place shall never be with those cold and timid souls who know neither victory nor defeat."

Wisconsin co-ops sponsor joint seminar for young producers

A group of Wisconsin cooperatives have banded together to offer a joint co-op education seminar for young producers. Backing the effort are: Equity Livestock Sales Association and Foremost Farms USA, both of Baraboo; the state's four local Farm Credit Services associations; Cenex Harvest States, St. Paul; Cooperative Resources International (CRI), Shawano; Alto Dairy Cooperative, Alto; and the Wisconsin Federation of Cooperatives (WFC), Madison.

The Young Producer Cooperative Leadership conference, "Achieving the Heights – The Power of Cooperatives," is set for Feb. 15-17 at Wisconsin Dells. A panel of progressive cooperative leaders is scheduled to speak, including Rod Nilsestuen, WFC; Dave Lull, Richland-Grant and LaValle Telephone Co-ops; Jim Henion, CRI; Roger Chamberlain, CoBank; Anya Firszt, Williamson Street (grocery) Co-op; and Ben Brancel, co-op member and secretary of the Wisconsin Department of Agriculture, Trade and Consumer Protection.

The conference goal is to provide young farmers an opportunity to network with their peers, learn about the cooperative way of doing business, and develop their leadership and communication skills.

Record revenue for Southern States

Record revenue topping \$1.5 billion was reported by Richmond-based Southern States Cooperative (SSC) for fiscal 2000. That's a 13-percent gain from 1999. The cooperative also reported net savings for its members of \$4.96 million for fiscal 2000 vs. a \$2.1 million loss in 1999. SSC has expanded its farm supply business in recent years and moved into livestock marketing. Earlier this year, it reached an agreement with Agway, based in Syracuse, N.Y., to handle its 500 dealer operations. A fish marketing program also was initiated.

Electric co-ops to study clean-burning coal

The nation's rural electric cooperatives are sponsoring a research project aimed at a cleaner burning coal, the main source of electricity production in the United States. Coal plants co-produce electric power, hydrogen from fuel cells and commercial chemicals, all with little or no emissions. The ultimate goal is to have power plants that generate no air pollutant byproducts and negligible emissions of carbon dioxide, a gas implicated in global warming.

Lupinacci resigns from Sunkist

Sunkist President and CEO Vincent Lupinacci has resigned following 2½ years at the helm of the nation's leading citrus fruit marketer. He cited "personal and family" reasons for his decision, but the past several years

have been very challenging for the co-op and its members. In 1998, the California orange crop was devastated by a freeze, and fruit quality problems the next year caused prices to nosedive. More recently, the decision by the co-op to market South American lemons has been quite controversial with members.

Sunkist Board Chairman James H. Mast has been named as acting president while the co-op searches for a permanent president. Sunkist represents about 6,500 citrus growers and 60 packers in Arizona and California.

".coop" new Internet domain

The international body that manages the Internet has approved the use of .coop as one of seven new Internet domain suffixes. The National Cooperative Business Association, which spearheaded the effort to create the

new domain, hopes co-ops currently using .com for their Internet address will switch to .coop, or use it as a second address. "Today's decision by ICANN [the Internet Corporation for Assigned Names and Numbers] will give cooperatives instant recognition on the Internet and help consumers find the business they trust online," says NCBA President Paul Hazen.

NCBA had also sought to register .co-op (with a hyphen, as is commonly used in America), but that suffix was not approved, based on common international usage. The proposed registration fee for use of .coop will be \$75, higher than many of the other suffixes charge, but it will allow NCBA and the International Cooperative Alliance to screen applicants to make sure they operate as true cooperatives. For more information, call NCBA at (202) 383-5456.

Legal Corner *continued from page 7*

key provision requires DFA to transfer partial ownership in Keller's Creamery to persons who are not agricultural producers. The purchasers are members of the pre-merger SODIAAL management team. This non-producer ownership interest deprives Keller's Creamery of cooperative status and the right to engage in common marketing activity with cooperatives (including Land O'Lakes) under the protection of the Capper-Volstead Act.

The agreement also enjoins DFA and Keller's Creamery from entering into any collaborative marketing effort of branded butter with Land O'Lakes and from disclosing any competitively sensitive information regarding branded butter to Land O'Lakes. The agreement also contains several provisions to prevent DFA or Keller's from circumventing the judgment by restructuring themselves or selling any assets to another firm, particularly Land O'Lakes, without the court's permission.

Outcome frames crucial issues

In essence, DFA agreed to forfeit its Capper-Volstead status with regard to marketing branded butter in the rele-

vant markets in exchange for permission to purchase a major non-cooperative competitor in those markets. The acquisition benefits DFA members by providing an additional market for their milk that will be used to produce the butter manufactured at the former SODIAAL's plant and by increasing the amount of value-added processing being undertaken by their cooperative. But in return, DFA loses the ability to cooperate with Land O'Lakes to improve the economic return to all of their farmer-members.

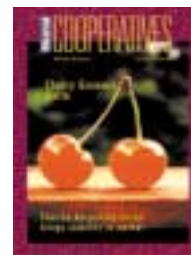
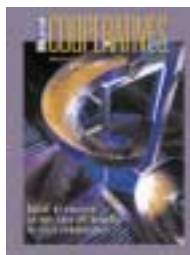
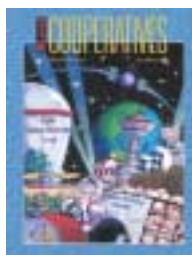
One position taken by the Department of Justice in this case is encouraging for marketing cooperatives. This may be the first time Justice has admitted that "explicit collusion" between large agricultural cooperatives with a dominant position in the marketplace "would be legal and could not be challenged under the antitrust laws." (65 Federal Register 44827).

As the trend toward fewer but larger firms continues in many product lines in the food (and other) industries, cooperatives will feel pressure to also grow. When this growth is accomplished by simply signing up new members or

through working agreements or combinations with other cooperatives, antitrust concerns may be minimal. However, when deals involve joint ventures with, or acquisitions of, non-cooperative firms, the Capper-Volstead shield will not be available. The proposal will be subject to challenge under the same standards as an agreement between two non-cooperative firms.

The deal accepted by DFA in this case consummates the acquisition but restructures it to negate future access to Capper-Volstead protection in the relevant market. Whether this will become a model for Department of Justice response to future actions that reduce competitors in a market with a strong cooperative presence is unclear. And like any approach to resolving complex conflicts, what operates in the best interests of producers in one instance may not in another. But as cooperatives adjust to the changing competitive environment of agri-business, antitrust issues and the attitude of federal and state enforcement officials, will remain important parts of the planning and implementation process. ■

Article Index 2000



Information appearing in *Rural Cooperatives* magazine during calendar year 2000 has been indexed to help you find past articles. Back issues can be found on-line at www.rurdev.usda.gov. Articles are indexed by month and page.

TITLE FEATURES

Issue—Page

Are you a good leader? Director assessments are building blocks to productive board-management relationships	November/December 20	Lower commodity prices cause drop in co-op sales	September/October 4
Asset growth for largest co-ops shows resilience to declining revenues	January/February 28	Maine co-op building support for economic development	July/August 11
Boosting the 3 Bs England's Plunkett Foundation promotes "the furtherance of rural cooperation"	March/April 4	Making its mark Agri-Mark, New England's largest dairy co-op, is building markets for producers	May/June 16
Building a cooperative on the fast track	May/June 6	Missouri's first ethanol plants will have major impact on region's rural economy	May/June 12
Butter settlement: A glimpse into the future of antitrust enforcement?	November/December 7	Mohave Electric Co-op's quick response attracts major source of jobs to service area	July/August 12
CherrCo helps bring market stability to tart cherry industry	November/December 4	The Musk Ox Farm continues Teal's work	March/April 10
Consolidation in the heartland A closer look at grain co-op mergers and acquisitions, 1993-97	November/December 14	New Directions: Co-ops help tobacco farmers transition to new crops	September/October 20
Co-op communicators honored	July/August 13	New model, old ways Wisconsin farmers find new life serving burgeoning organic markets	January/February 23
Cooperative Agro Pastoral Segbeya African swine raising cooperative struggles to survive and prosper	November/December 24	Organic: a philosophy & production system	January/February 26
Co-ops in the 21st century Five writers view what lies ahead for co-ops in the new century	January/February 7	Organic Valley firsts	January/February 25
Co-ops' share of farm marketings up slightly in '98	January/February 4	Pennsylvania co-ops take development underground	July/August 10
CROPP's guiding principles	January/February 27	Power formula Higher gas prices fuel drive for ethanol production; farmers look to co-ops to gain market share	May/June 7
Depressed ag sector puts squeeze on largest co-ops	January/February 32	Pursuing other uses for tobacco	September/October 24
End nears for tobacco warehouse co-ops	September/October 23	Saving an industry Plant closure leads Michigan growers to form new turkey cooperative	May/June 4
Fill 'er up! Pipeline flowing with new generation ethanol co-ops	May/June 8	Seeing the forest for its trees Cooperatives promote sustainable forestry and tap green trends	January/February 17
Finding new ways to market 'this little piggy'	September/October 11	Small co-ops and marketing groups formed in wake of hog crisis	September/October 8
Fingers and needles Alaskan co-op turns cashmere-soft musk ox wool into hard cash	March/April 7	South African village banks receive World Bank funding	March/April 11
Foreign affairs USDA Foreign Agricultural Service promotes U.S. agriculture abroad	March/April 15	"Start with the rising sun" Sustainable forest a tradition for Menominee Indian tribe	January/February 19
Generating rural progress Study finds that new-generation and traditional co-ops have major beneficial impacts on rural communities	July/August 16	Streamlined USDA utilities program draws plaudits	May/June 21
Going global Export certificates a valuable tool helping co-ops tap overseas markets	March/April 18	Strength through unity Bulgarian honey producers sweeten their future through cooperation	March/April 12
Grower co-ops to coordinate marketing	September/October 22	Trade takes a tumble Cooperatives trade plunges 41 percent as Asian markets cool	September/October 18
History of NFO charts farm protest movement	July/August 5	Trading Up Plains Cotton Co-op uses computer technology to pursue business-to-business strategy	November/December 8
How well are dairy cooperatives performing?	July/August 25	Tri Valley Growers files Chapter 11 bankruptcy	July/August 4
Iowa RECs reach 15-year milestone for rural development	July/August 8	USDA, Commerce join forces to boost early warning system	July/August 14
Joyce Kilmer Memorial Forest	January/February 21	USDA extends more help to small farms	March/April 16
Kentucky hog co-op to explore value-added alternatives	September/October 10	USDA seeking more accounts of co-op mergers and closures	November/December 18
Land O'Lakes buys butter business	March/April 26	When the lights came on USDA program brought electricity and a better way of life to rural America	July/August 6
Last Train Leaving? Some say Pork America represents best, and possibly last, chance for hog farmers to gain significant market access	September/October 6	Why U.S. agriculture should support foreign aid	March/April 23

Magazine Departments

A Closer Look At...

Cal/West Seeds	
Woodland, California	May/June 15
Hazelnut Growers of Oregon	
Cornelius, Oregon	January/February 16
Mt. Pride Cooperative Inc.	
Mt. Lake Park, MD	March/April 22

Commentary/Editorial

Bargaining co-ops help level field, stabilize markets	November/December 2
Borders are no longer barriers for co-ops	March/April 2
Cooperatives: getting the job done	September/October 2
Co-ops keep farm-generated capital at home	January/February 2
Putting our eggs in more than one basket	July/August 2
USDA Rural Development programs help fuel co-op movement	May/June 2

In the Spotlight

Dennis M. Mullen: President & CEO	
AgriLink Foods, Inc., Rochester, NY	July/August 15
Glenn Webb, Former Board Chairman and President GROWMARK	
Bloomington, Ill.	November/December 26
John Malcheski, Wisconsin's roving co-op ambassador, spreads cooperative skills and knowledge worldwide	September/October 12
Larry D. Steward: President and CEO	
Minn-Dak Farmers Cooperative	January/February 22
Walley Beyer, Retired Administrator	
USDA Rural Development, Rural Utilities Service	May/June 20

Management Tip

Consultant's feasibility study can predict success of 'next great idea'	July/August 22
Downward spiral for commodity prices continues; bottom line mixed for Plains co-ops	November/December 11
How Does Your Local Farm Supply Cooperative Rate?	March/April 25
Net savings dipped in 1999 for most corn-soybean and wheat-barley co-ops	September/October 16

Newsline

FCA Chairman Marsha Martin dies	January/February 38
DFA, Dairyworld discuss joint venture	
Land O'Lakes, Mitsui building largest cheese plant	
CoBank stockholders elect directors	
UW-Madison honors Truman Torgerson	
Southern States discontinues member magazine	
Co-ops form Soybean Research Company	
Missouri dedicates power plant	
GEN-SYS, Engage sign agreement	

Welch's sales soar; Pokeman coming!	March/April 27
Merger creates Evergreen Co-op	
Ag Council salutes Steve Easter	
Rural Utilities sells debt securities	
NRTC praises House Ag Committee for moving to close 'digital divide'	
Minnesota power alliance established	
SD co-op plans egg production plant	
Small poultry processor co-op planned	
NCBA to help 'false' co-ops become real	
Tomato co-op files canner complaint	
Tri Valley Growers sues Oracle	
Co-ops buying into 'green' power	
Glickman sets 2000 goals	
Imperial Sugar offers plants to co-op	
American Crystal considers forfeiture of sugar	
Growmark adds facilities	
New Nebraska pork co-op planned	
New Pork co-op could hike profits	

Sunkist cheers opening of China	May/June 23
USDA, NFU spur Michigan co-ops	
Iowa egg co-op, Nuzum awarded	
Spring Wheat Bakers loads first train	

5 in Co-op Hall of Fame	
Dakota ranchers opening feedlots	
Iowa pork producers endorse co-op	
Corn co-op rebounds, but no dividends	
Prairie Farms sales top \$1 billion	
TVG gaining profitability	
Associated gins one-millionth bale	
Carry new Amalgamated CEO	
CRF opens new hog research facility	
Farmland sells hog plant, introduces branded bread	
Canadian, U.S. potato farmers work together	
USDA co-op resources on the Web	
Judge says permit properly granted to Golden Oval	
Co-op communicator Reuwee dies	
Delta-Montrose installs first propane fuel cell	

Blue Diamond buys MacFarms	July/August 28
Genex Harvest States names new CEO	
McLean new USDA/RUS leader	
Internet-based meat exchange forms	
Farmington co-op buys new technology	
Citrus World to buy plant	
Apple cooperative to close	
Kentucky grain farmers eye ethanol plant	
N.J. to sell new blueberry products	
Honse to take over Farmland reins	
Upstate Farms expands milk facility	
States launch inquiry into big dairy	
LOL sells fluid plants, continues cheese plant study	

Florida's Natural breaks sales record — again!	September/October 25
Neb. court backs co-ops on hedge-to-arrive contracts	
Co-ops blend feed lines	
USDA fruit buys help TVG	
Glickman named 'Honored Cooperator'	
Southern States expand aquaculture business with NMFS fisheries loan	
N.Y. grape co-op enters marketing pact	
Select Sire Power formed	
Lamb co-op conducts equity drive	
NorthStar expands services	
Frozen dough co-op boosts production	
Pasta plant lender named	
Caspers named interim leader at Minn-Dak	
Diamond buys Berner nut	
Kelley succeeds Webb as Growmark president	
Riceland completes trade with Iraq	
LOL, DFA join Dairy.Com	
Blue Anchor closing operations	
Calif. co-op/community parley slated	
DFA returns \$20 million in equity	
Ocean Spray gets boost from USDA	
Sunkist sells Argentine lemons	
Allied Seed buys Agribiotech	
Potato growers OK dividend	
Catfish processors merge	
Consolidated Beef forming	

Nation's largest local co-op to reorganize	November/December 27
Gold Kist offers skillet meals	
Sugarbeet co-op eyes purchase of Western Sugar	
Fremont Co-op joins AMPI	
Youngdahl new CEO at Blue Diamond	
Michigan blueberry co-op launches venture with Chile	
Agri-Mark opens whey plant	
Minn canola co-op looks to Mexican market	
Record revenue for Southern States	
Washington growers lose credit co-op	
Faulty co-op ventures worth 'post mortem'	
Wisconsin co-ops sponsor joint seminar for young producers	
Electric co-ops to study clean-burning coal	
Lupinacci resigns from Sunkist	
".coop" new internet domain	

Pages From the Past

Foremost Farms traces its name to J.C. Penney	May/June 29
---	-------------

SUBJECTS:

Aquaculture

New Directions:

Co-ops help tobacco farmers transition September/October 20

Bargaining

CherrCo helps bring market stability to tart cherry

industry November/December 4

Co-ops in the 21st century

Cooperative marketeting in the new millennium January/February 7

Communication/Education

A Creed for Cooperative Members September/October 30

Are you a good leader?

Director assessments are building blocks to productive board-management relationships November/December 20

Boosting the 3 Bs

England's Plunkett Foundation promotes "the furtherance of rural cooperation" March/April 4

Co-op communicators honored July/August 13

History of NFO charts farm protest movement July/August 5

John Malcheski, Wisconsin's roving co-op ambassador, spreads cooperative skills and knowledge worldwide September/October 12

Co-op Development

Boosting the 3 Bs

England's Plunkett Foundation promotes "the furtherance of rural cooperation" March/April 4

Cooperative Agro Pastorale Segbeya

African swine raising cooperative struggles to survive and prosper November/December 24

Fingers and needles

Alaskan co-op turns cashmere-soft musk ox wool into hard cash March/April 7

Generating rural progress

Study finds that new-generation and traditional co-ops have major beneficial impacts on rural communities. July/August 16

History of NFO charts farm protest movement July/August 5

John Malcheski, Wisconsin's roving co-op ambassador, spreads cooperative skills and knowledge worldwide September/October 12

Last Train leaving?

Some say Pork America represents best, and possibly last, chance for hog farmers to gain significant market access September/October 6

The Musk Ox Farm continues Teal's work March/April 10

New Directions:

Co-ops help tobacco farmers transition to new crops September/October 20

Small co-ops and marketing groups formed in wake of hog crisis September/October 8

South African village banks receive World Bank funding March/April 11

Strength through unity

Bulgarian honey producers sweeten their future through cooperation March/April 12

Why U.S. agriculture should support foreign aid March/April 23

Cotton

Trading Up

Plains Cotton Co-op uses computer technology to pursue business-to-business strategy November/December 8

Craft Co-ops

Fingers and needles

Alaskan co-op turns cashmere-soft musk ox wool into hard cash March/April 7

The Musk Ox Farm continues Teal's work March/April 10

Dairy

Butter settlement: A glimpse into the future of antitrust enforcement? November/December 7

Foremost Farms traces its name to J.C. Penney May/June 29

How well are dairy cooperatives performing? July/August 25

Land O'Lakes buys butter business March/April 26

Making its mark

Agri-Mark, New England's largest dairy co-op, is building markets for producers May/June 16

New model, old ways

Wisconsin farmers find new life serving burgeoning

organic markets January/February 23

Organic: a philosophy & production system January/February 26

Organic Valley Firsts January/February 25

Environment

Seeing the forest for its trees

Cooperatives promote sustainable forestry and tap

green trends January/February 17

"Start with the rising sun"

Sustainable forest a tradition for

Menominee Indian tribe January/February 19

Farm Supply & Agronomy Services

Asset growth for largest co-ops shows resilience to

declining revenues January/February 28

Cal/West Seeds

Woodland, California May/June 15

Consolidation in the heartland

A closer look at grain co-op mergers and

acquisitions, 1993-97 November/December 14

Co-ops in the 21st century

Farm supply cooperatives: a look on and over the

horizon January/February 9

Co-ops' share of farm marketings up slightly in '98 January/February 4

Depressed ag sector puts squeeze on

largest co-ops January/February 32

Generating rural progress

Study finds that new-generation and traditional co-ops have

major beneficial impacts on rural communities. July/August 16

Lower commodity prices cause drop in co-op

sales September/October 4

Finance

Asset growth for largest co-ops shows resilience to

declining revenues January/February 28

Co-ops in the 21st century

Consolidations, technology, politics to impact co-op

financial institutions January/February 14

Depressed ag sector puts squeeze on largest

co-ops January/February 32

How Does Your Local Farm Supply Cooperative Rate? March/April 25

Iowa RECs reach 15-year milestone for rural development July/August 8

Maine co-op building support for economic development July/August 11

Mohave Electric Co-op's quick response attracts major source

of jobs to service area July/August 12

Net savings dipped in 1999 for most corn-soybean and

wheat-barley co-ops September/October 16

Pennsylvania co-ops take development underground July/August 10

Saving an industry

Plant closure leads Michigan growers to form new

turkey cooperative May/June 4

South African village banks receive World Bank funding March/April 11

Forestry

Joyce Kilmer Memorial Forest January/February 21

Seeing the forest for its tree

Cooperatives promote sustainable forestry and tap

green trends January/February 17

"Start with the rising sun"

Sustainable forest a tradition for

Menominee Indian tribe January/February 19

Fruits, Nuts

CherrCo helps bring market stability to tart cherry

industry November/December 4

Hazelnut Growers of Oregon Cornelius, Oregon January/February 16

Tri Valley Growers files Chapter 11 bankruptcy July/August 4

Fuels

Fill 'er up!

Pipeline flowing with new generation ethanol co-ops May/June 8

Generating rural progress

Study finds that new-generation and traditional co-ops have

major beneficial impacts on rural communities. July/August 16

Missouri's first ethanol plants will have major impact on region's rural economy May/June 12
Power formula
Higher gas prices fuel drive for ethanol production; farmers look to co-ops to gain market share May/June 7

Grains & Oil Seed

Consolidation in the heartland
A closer look at grain co-op mergers and acquisitions, 1993-97 November/December 14
Downward spiral for commodity prices continues; bottom line mixed for Plains co-ops November/December 11
Generating rural progress
Study finds that new-generation and traditional co-ops have major beneficial impacts on rural communities. July/August 16
Grower co-ops to coordinate marketing. September/October 22
How Does Your Local Farm Supply Cooperative Rate?..... March/April 25
Net savings dipped in 1999 for most corn-soybean and wheat-barley co-ops September/October 16
Power formula
Higher gas prices fuel drive for ethanol production; farmers look to co-ops to gain market share May/June 7

Legislative and Legal

Butter settlement: A glimpse into the future of antitrust enforcement? November/December 7
Co-ops in the 21st century
Consolidations, technology, politics to impact co-op financial institutions January/February 14
Co-ops in the 21st century
Providing power beyond 2000 January/February 12
Foreign affairs
USDA Foreign Agricultural Service promotes U.S. agriculture abroad. March/April 15
Going global
Export certificates a valuable tool helping co-ops tap overseas markets March/April 18
Walley Beyer, Retired Administrator
USDA Rural Development, Rural Utilities Service. May/June 20
When the lights came on
USDA program brought electricity and a better way of life to rural America July/August 6
Why U.S. agriculture should support foreign aid March/April 23

Livestock (Pork)

Building a cooperative on the fast track May/June 6
Finding new ways to market 'this little piggy' September/October 11
Generating rural progress
Study finds that new-generation and traditional co-ops have major beneficial impacts on rural communities. July/August 16
Kentucky hog co-op to explore value-added alternatives September/October 10
Last train leaving?
Some say Pork America represents best, and possibly last, chance for hog farmers to gain significant market access September/October 6
Mt. Pride Cooperative Inc.
Mt. Lake Park, MD March/April 22
Saving an industry
Plant closure leads Michigan growers to form new turkey cooperative May/June 4
Small co-ops and marketing groups formed in wake of hog crisis September/October 8

Management

Are you a good leader?
Director assessments are building blocks to productive board-management relationships November/December 20
Consultant's feasibility study can predict success of 'next great idea' July/August 22
Co-ops in the 21st century
Cooperative marketeting in the new millennium January/February 7
CROPP's guiding principles January/February 27
Net savings dipped in 1999 for most corn-soybean and wheat-barley co-ops September/October 16
Organic: a philosophy & production system January/February 26

Marketing

Asset growth for largest co-ops shows resilience to declining revenues January/February 28
CherrCo helps bring market stability to tart cherry industry November/December 4
Co-ops in the 21st century
Cooperative marketeting in the new millennium January/February 7
Co-ops' share of farm marketings up slightly in '98 January/February 4
Depressed ag sector puts squeeze on
largest co-ops January/February 32
Finding new ways to market 'this little piggy' September/October 11
Generating rural progress
Study finds that new-generation and traditional co-ops have major beneficial impacts on rural communities. July/August 16
Hazelnut Growers of Oregon Cornelius, Oregon January/February 16
How well are dairy cooperatives performing? July/August 25
Kentucky hog co-op to explore value-added alternatives September/October 10
Last Train leaving?
Some say Pork America represents best, and possibly last, chance for hog farmers to gain significant market access September/October 6
Lower commodity prices cause drop in co-op sales September/October 4
Making its mark
Agri-Mark, New England's largest dairy co-op, is building markets for producers May/June 16
New model, old ways
Wisconsin farmers find new life serving burgeoning organic markets January/February 23
Trading Up
Plains Cotton Co-op uses computer technology to pursue business-to-business strategy November/December 8

Mergers

Consolidation in the heartland
A closer look at grain co-op mergers and acquisitions, 1993-97 November/December 14
Making its mark
Agri-Mark, New England's largest dairy co-op, is building markets for producers May/June 16

Organic

CROPP's guiding principles January/February 27
New model, old ways
Wisconsin farmers find new life serving burgeoning organic markets January/February 23
Organic: a philosophy & production system January/February 26
Organic Valley Firsts January/February 25

Rural Development

Boosting the 3 Bs
England's Plunkett Foundation promotes "the furtherance of rural cooperation" March/April 4
Co-ops in the 21st century
Cooperatives build community values. January/February 15
Co-ops in the 21st century
Providing power beyond 2000 January/February 12
Fingers and needles
Alaskan co-op turns cashmere-soft musk ox wool into hard cash March/April 7
Generating rural progress
Study finds that new-generation and traditional co-ops have major beneficial impacts on rural communities. July/August 16
Iowa RECs reach 15-year milestone for rural development July/August 8
Maine co-op building support for economic development July/August 11
Missouri's first ethanol plants will have major impact on region's rural economy May/June 12
Mohave Electric Co-op's quick response attracts major source of jobs to service area July/August 12
Pennsylvania co-ops take development underground July/August 10
USDA, Commerce join forces to boost early warning system July/August 14
Walley Beyer, Retired Administrator
USDA Rural Development, Rural Utilities Service. May/June 20
When the lights came on

USDA program brought electricity and a better way of life to rural America	July/August 6
Statistics	
Asset growth for largest co-ops shows resilience to declining revenues	January/February 28
Consolidation in the heartland	
A closer look at grain co-op mergers and acquisitions, 1993-97	November/December 14
Co-ops' share of farm marketings up slightly in '98	January/February 4
Depressed ag sector puts squeeze on largest co-ops	January/February 32
Downward spiral for commodity prices continues; bottom line mixed for Plains co-ops	
November/December 11	
How well are dairy cooperatives performing?	July/August 25
Lower commodity prices cause drop in co-op sales	September/October 4
Net savings dipped in 1999 for most corn-soybean and wheat-barley co-ops	September/October 16
Trade takes a tumble	
Cooperatives trade plunges 41 percent as Asian markets cool	September/October 18
Technology	
Co-ops in the 21st century	
Consolidations, technology, politics to impact co-op financial institutions	January/February 14
Co-ops in the 21st century	
Farm supply co-ops: a look over the horizon	January/February 9
Trading Up	
Plains Cotton Co-op uses computer technology to pursue business-to-business strategy	November/December 8
Tobacco	
End nears for tobacco warehouse co-ops	September/October 23
Grower co-ops to coordinate marketing	September/October 22
New Directions:	
Co-ops help tobacco farmers transition to new crops	September/October 20
Pursuing other uses for tobacco	September/October 24
Trade	
Co-ops in the 21st century	
Farm supply cooperatives: a look on and over the horizon	January/February 9
Foreign affairs	
USDA Foreign Agricultural Service promotes U.S. agriculture abroad	March/April 15
Going global	
Export certificates a valuable tool helping co-ops tap overseas markets	March/April 18
Trade takes a tumble	
Cooperatives trade plunges 41 percent as Asian markets cool	September/October 18
Why U.S. agriculture should support foreign aid	March/April 23
Utility Co-ops	
Co-ops in the 21st century	
Providing power beyond 2000	January/February 12
Iowa RECs reach 15-year milestone for rural development	July/August 8
Maine co-op building support for economic development	July/August 11
Mohave Electric Co-op's quick response attracts major source of jobs to service area	July/August 12
Pennsylvania co-ops take development underground	July/August 10
Streamlined USDA utilities program draws plaudits	May/June 21
USDA, Commerce join forces to boost early warning system	July/August 14
Walley Beyer, Retired Administrator	
USDA Rural Development, Rural Utilities Service	May/June 20
When the lights came on	
USDA program brought electricity and a better way of life to rural America	July/August 6
Value Added	
Co-ops in the 21st century	
Cooperative marketeting in the new millennium	January/February 7
Dennis M. Mullen: President & CEO	
Agrilink Foods, Inc., Rochester, NY	July/August 15
Fill 'er up!	
Pipeline flowing with new generation ethanol co-ops	May/June 8
Fingers and needles	
Alaskan co-op turns cashmere-soft musk ox wool into hard cash	March/April 7
Generating rural progress	
Study finds that new-generation and traditional co-ops have major beneficial impacts on rural communities	July/August 16
Hazelnut Growers of Oregon Cornelius, Oregon	January/February 16
Land O'Lakes buys butter business	March/April 26
Larry D. Steward: President and CEO	
Minn-Dak Farmers Cooperative	January/February 22
Making its mark	
Agri-Mark, New England's largest dairy co-op, is building markets for producers	May/June 16
Mt. Pride Cooperative Inc.	
Mt. Lake Park, MD	March/April 22
New Directions:	
Co-ops help tobacco farmers transition	September/October 20
New model, old ways	
Wisconsin farmers find new life serving burgeoning organic markets	January/February 23
Power formula	
Higher gas prices fuel drive for ethanol production; farmers look to co-ops to gain market share	May/June 7
Saving an industry	
Plant closure leads Michigan growers to form new turkey cooperative	May/June 4
Vegetables	
Grower co-ops to coordinate marketing	September/October 22
New Directions:	
Co-ops help tobacco farmers transition to new crops	September/October 20
AUTHORS	
Bailey, Isaac J.	
End nears for tobacco warehouse co-ops	September/October 23
Banks, Eliza	
Boosting the 3 Bs	
England's Plunkett Foundation promotes "the furtherance of rural cooperation"	March/April 4
Borst, Alan	
Going global	
Export certificates a valuable tool helping co-ops tap overseas markets	March/April 18
Brockhouse, Bill	
Kentucky hog co-op to explore value-added alternatives	September/October 10
Campell, Dan	
Tri Valley Growers files Chapter 11 bankruptcy	July/August 4
When the lights came on	
USDA program brought electricity and a better way of life to rural America	July/August 6
Chesnick, David S.	
Asset growth for largest co-ops shows resilience to declining revenues	January/February 28
Depressed ag sector puts squeeze on largest co-ops	January/February 32
Crooks, Anthony	
Consolidation in the heartland	
A closer look at grain co-op mergers and acquisitions, 1993-97	November/December 14
Cummins, David	
Downward spiral for commodity prices continues; bottom line mixed for Plains co-ops	
November/December 11	
Net savings dipped in 1999 for most corn-soybean and wheat-barley co-ops	
September/October 16	
Duffey, Patrick	
Generating rural progress	
Study finds that new-generation and traditional co-ops have major beneficial impacts on rural communities	July/August 16
John Malcheski, Wisconsin's roving co-op ambassador, spreads cooperative skills and knowledge worldwide	
September/October 12	
Making its mark	
Agri-Mark, New England's largest dairy co-op, is building markets for producers	May/June 16

English, Glenn

Co-ops in the 21st century
Providing power beyond 2000 January/February 12

Eversull, Eldon

Co-ops in the 21st century
Farm supply cooperatives: a look on and over
the horizon January/February 9

Folsom, Joe

Finding new ways to market 'this little piggy' September/October 11

Frederick, Donald A.

Butter settlement: A glimpse into the future of antitrust
enforcement? November/December 7

Gehrke, Brad

Last Train leaving?
Some say Pork America represents best, and possibly last, chance
for hog farmers to gain significant market
access September/October 6

Graham, Steven

Cooperative Agro Pastore Segbeya
African swine raising cooperative struggles to survive
and prosper November/December 24

Hampton, Karl

Foreign affairs
USDA Foreign Agricultural Service promotes U.S.
agriculture abroad March/April 15

Hazen, Paul

Co-ops in the 21st century
Cooperatives build community values January/February 15

Jobe, Jeff

Small co-ops and marketing groups formed in wake of
hog crisis September/October 8

Joseph, Azanmasso

Cooperative Agro Pastore Segbeya
African swine raising cooperative struggles to survive
and prosper November/December 24

Karg, Pamela J.

CherrCo helps bring market stability to tart cherry
industry November/December 4

Fingers and needles

Alaskan co-op turns cashmere-soft musk ox wool into
hard cash March/April 7

Foremost Farms traces its name to J.C. Penney May/June 29

Iowa RECs reach 15-year milestone for rural development July/August 8

New Directions:

Co-ops help tobacco farmers transition to new
crops September/October 20

New model, old ways

Wisconsin farmers find new life serving burgeoning
organic markets January/February 23

Seeing the forest for its trees

Cooperatives promote sustainable forestry and tap
green trends January/February 17

Trading Up

Plains Cotton Co-op uses computer technology to pursue

business-to-business strategy November/December 8

When the lights came on

USDA program brought electricity and a better way of life to
rural America July/August 6

Kennedy, Tracey L.

Trade takes a tumble
Cooperatives trade plunges 41 percent as Asian markets
cool September/October 18

Kraenzle, Charles

Co-ops's share of farm marketings up slightly in '98 January/February 4

Letson, Perry

Why U.S. agriculture should support foreign aid March/April 23

Liebrand, Carolyn

How well are dairy cooperatives performing? July/August 25

Matson, James

Consultant's feasibility study can predict success of 'next
great idea' July/August 22

Last Train leaving?

Some say Pork America represents best, and possibly last, chance
for hog farmers to gain significant market
access September/October 6

Strength through unity

Bulgarian honey producers sweeten their future through
cooperation March/April 12

Moser, Laura

Saving an industry
Plant closure leads Michigan growers to form new
turkey cooperative May/June 4

Rotan, Beverly L.

How Does Your Local Farm Supply Cooperative Rate? March/April 25

Snyder, Charles E.

Co-ops in the 21st century
Consolidations, technology, politics
to impact co-op financial institutions January/February 14

Stieve, Mary Farrell

Power formula
Higher gas prices fuel drive for ethanol production,
farmers look to co-ops to gain market share May/June 7

Thompson, Jill Long

Bargaining co-ops help level field, stabilize
markets November/December 2

Borders are no longer barriers for co-ops March/April 2

Cooperatives: getting the job done September/October 2

Co-ops keep farm-generated capital at home January/February 2

Putting our eggs in more than one basket July/August 2

USDA Rural Development programs help fuel
co-op movement May/June 2

Torgerson, Randall

Co-ops in the 21st century
Cooperative marketing in the new millennium January/February 7

Wadsworth, James J.

Are you a good leader?
Director assessments are building blocks to productive
board-management relationships November/December 20

United States
Department of Agriculture
Washington, DC 20250

OFFICIAL BUSINESS

Penalty for private use, \$300

NOTICE:

- Check here to stop receiving this publication,
and mail this sheet to the address below.
- NEW ADDRESS. Send mailing label
on this page and changes to:

USDA/Rural Business-Cooperative Service
Stop 3255
Washington, D. C. 20250-3255

Periodicals Postage Paid
U.S. Department of Agriculture