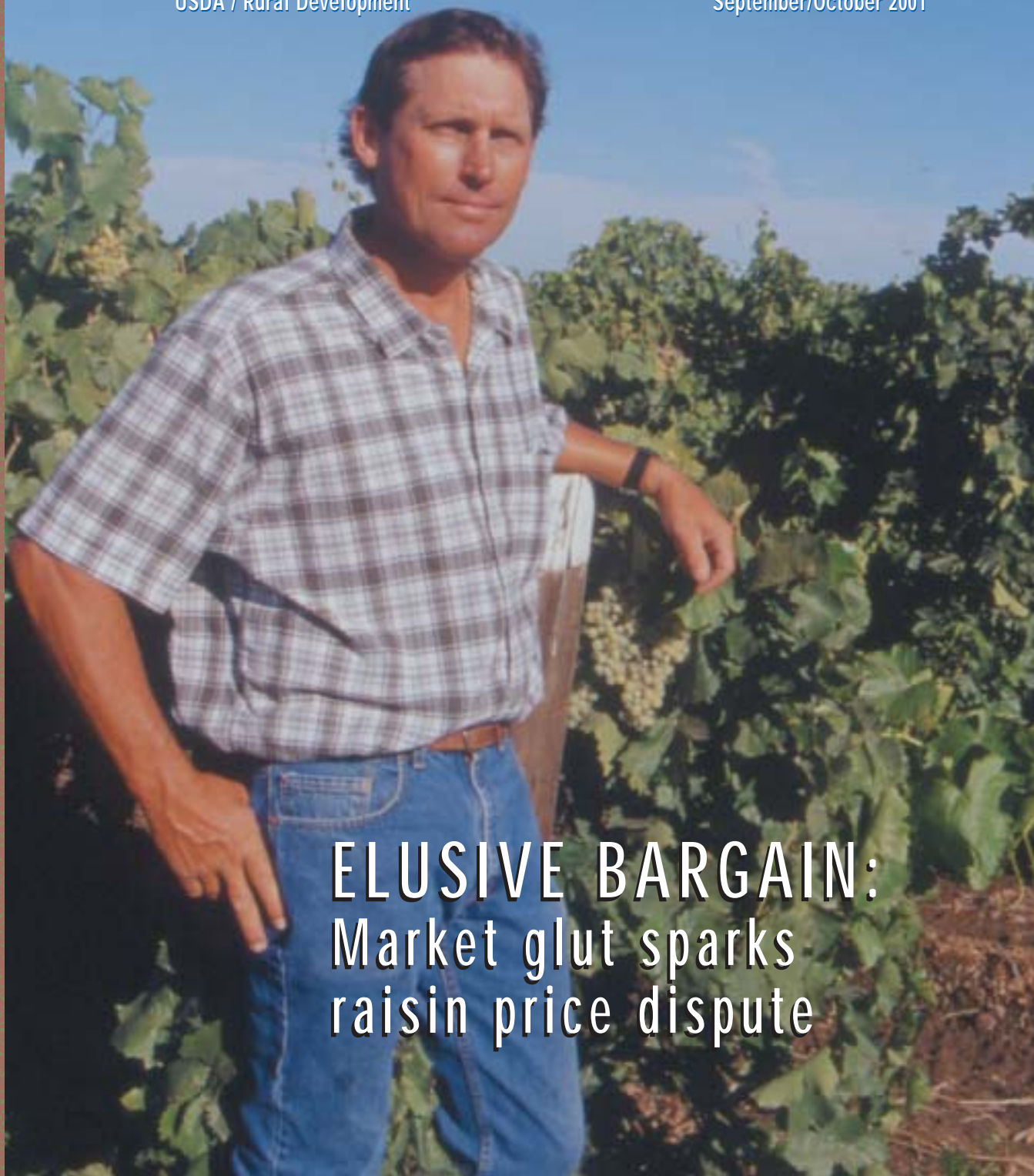


Rural COOPERATIVES

USDA / Rural Development

September/October 2001



ELUSIVE BARGAIN:
Market glut sparks
raisin price dispute

Directors share major role as part of cooperative management team

Responsibility for seeing that cooperatives are properly managed ultimately falls squarely on the shoulders of the cooperative's board of directors. Key to this role is selection of a chief executive officer or manager in whom the board has confidence to run the day-to-day operations of the cooperative business. The manager also has responsibility, with the board, to see that operations are run on a cooperative basis.

As user-owned, user-controlled and user-benefitted businesses, cooperatives implicitly have a dual character as an association of people and as a common business undertaking. Both aspects of the organization must be nourished to achieve organizational strength and ultimate business success. This makes management of cooperatives unique among other forms of businesses. It is one source of their distinctiveness and strength.

As cooperatives become more complex organizations, both in size and scope of business activity, management must be sensitive to operating the cooperative for members' benefit and continuing to meet their needs. Sensitivity to those needs is a continuous challenge given the increasing diversity among cooperative members and the broader geography represented in many operations.

Members must also be properly educated to understand their responsibilities to the organization. This includes proper capitalization as user-owned businesses so that the stream of benefits continues to flow to them.

Capital-starved organizations can seldom perform at optimum levels under any circumstances. Control follows capital. If members want to control their organizations, they have to capitalize them.

Capital-starved organizations can seldom perform at optimum levels under any circumstances. Control follows capital. If members want to control their organizations, they have to capitalize them.

Several recent changes in state cooperative laws attempt to allow for greater amounts of non-member business than is customary in cooperatives, or to allow co-op equity to be owned by non-members. These are onerous signs of deterioration in the legal foundations for cooperative enterprise in the country.

The North American cooperative community was shocked recently when Agricore, a Canadian regional cooper-

ative that resulted from the 1998 merger of the Alberta Wheat Pool and the Manitoba Pool Elevators, decided to relinquish its status as a cooperative by combining with United Grain Growers, Ltd., a public company in which a large investor-owned firm has an interest. The action effectively displaces the remaining large grain marketing cooperative presence in the region, and follows the Saskatchewan Wheat Pool's conversion in 1996 to a publicly-traded company.

Managing business operations in a difficult climate for farmers during the past several years has not been an easy task for cooperative management teams (directors and managers). Nevertheless, cooperative business volume in the United States increased slightly in 2000.

A strong cooperative business sector is important to maintaining market access for farm operators and their place in a rapidly restructuring food and fiber system. Board members need to remain vigilant that their organizations are kept member oriented and providing the marketing, farm supply and other services needed by them. They also need to ensure that the legal foundations and capital requirements are met, consistent with operating on a cooperative basis.

Farmers can give away control of their cooperative businesses, but it cannot be taken away from them.

Randall Torgerson, *deputy administrator Rural Business-Cooperative Service*

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Steve Kister, a third-generation raisin farmer and president of the Raisin Bargaining Association, says the industry must learn to work together better to survive the bitter price disputes of recent months. Story on page 13. USDA photo by Catherine Merlo



Cooperative – USDA partnership still strong after 75 years

By Patrick Duffey
USDA Rural Development

The 75-year partnership between the nation's farmer-owned cooperatives and USDA was celebrated June 28 during a special ceremony at USDA head-

quarters in Washington, D.C., marking the anniversary of the Cooperative Marketing Act (CMA). The legislation launched USDA's ongoing effort to promote the use of cooperatives through technical assistance, research, educational and information products and statistical services.

Agriculture Secretary Ann Veneman

was joined by former secretary Earl Butz and other farm leaders to mark the historic anniversary and to underscore the importance of cooperatives in the nation's rural economy.

"Our mission provides valuable tools in the food and agriculture industry's toolbox to help it better compete in today's changing food system,"



Clockwise from above: American Farm Bureau Federation's Richard Newpher, NCFC President David Graves and U.S. Agriculture Secretary Ann Veneman. Each stressed the importance of USDA working with the nation's cooperatives to strengthen America's rural economy. USDA Photos by Bob Nichols



Earl Butz's son, William Butz, views some of the historic photo displays prepared for the anniversary celebration.

Veneman said. “Seventy-five years after its creation, Cooperative Services recognizes these changes, and our employees are playing a major role in helping to promote the opportunities that lie ahead in what promises to be a world of opportunity.”

The combination of globalization, new technology and changing consumer demands has created a “more tightly connected food chain with stronger linkages among producers, processors and retailers,” she said. This requires “new relationships and thinking.” Many producers, she continued, “are finding ways to participate in the changing market for food products while improving their bottom lines.”

Veneman cited Dakota Growers Pasta and U.S. Premium Beef as examples of producer-owned cooperatives which have been successful in finding new market opportunities for their members.

America’s “best deal”

For former Secretary Butz, now 92 years old, his return to the USDA courtyard where the ceremony was held triggered a flood of memories, including his first trip to Washington in 1930 as a delegate to the national 4-H convention.

“We lived in tents on the Mall, but the first evening it was raining so the

a fascinating one, taking him “from the cornfield to the Cabinet.”

Butz said he was “fed-up with attacks on our food system,” by those who claim our food is unsafe or produced with cruelty. He prodded those present to do a better job of “telling the story” for U.S. agriculture. This should include hammering home the point that affordable food is the cornerstone of the nation’s affluence. The average U.S. consumer, Butz said, spends only 11 to 15 percent of his or her income on food, creating a vast amount of disposable income that can be spent in other ways that fuel the economy.

“Our cheap food supply is the best deal in America – it leaves 85 percent of our income for all else...And cooperatives are one of the reasons it is the best bargain.”

Butz recalled that his father managed the Noble County Farm Bureau Cooperative in Indiana at a time when a \$100,000 sales volume year was cause “for a big

service was held here,” he said.

It was in virtually the same spot as he stood that Butz said he first laid eyes on a lovely girl standing by the fountain who was to become his wife. “She passed away five or six years ago,” he said, “but I still have a warm spot in my heart for this place.”

Butz said his career had been

party.” In those years, farmers typically raised only 25 or 30 pigs and three or four sows, he said.

“They would load a half dozen pigs into a horse-drawn wagon and haul them to a railhead for shipment to Buffalo, where the co-op would sell them.

“We’ve come a long way since then!”

Farm Bureau says USDA’s co-op role crucial

In the face of a rapid and dramatically changing agricultural industry, America’s farmers and ranchers consider involvement and assistance by USDA to be crucial, according to Richard Newpher, Washington office executive director of the American Farm Bureau Federation (AFBF). He stressed Farm Bureau’s long history of support for cooperative marketing and the successes brought about by the Cooperative Marketing Act.

“Farmers and ranchers have long known those cooperative efforts have paid them benefits that led to their success in American agriculture,” Newpher said.

Shortly after AFBF was formed in 1919, it established a cooperative marketing department and later assisted in creating the national enabling legislation (CMA), Newpher said. AFBF, now representing 5 million member families, saw the need for “a strong organization



Some of the many cooperative-owned food brands on display during the Cooperative Marketing Act 75th anniversary celebration.

to help them deal with the 'marketing problem' of low prices, high handling costs and trade abuses."

Newpher said that need continues "as does the need for a strong progressive arm in USDA devoted to promoting and spreading the benefits cooperatives can provide."

Early in the 20th century, AFBF assisted county and state Farm Bureaus in developing and providing cooperative services to its members – from shipping 4-H hogs to market by rail to organizing carload shipments of limestone and phosphate. "Agricultural producers worked together to help themselves while helping each other" where no local fertilizer dealer, farm supplier and market for livestock existed.

Early cooperative ventures purchased bulk fertilizers for distribution to purchasers in the counties. Trailblazers were Mississippi, Indiana, Ohio, Illinois and Missouri. Other states followed. Soon, petroleum products and other farm supplies and equipment were added to the inventories of cooperatives. Farm Bureau also organized marketing cooperatives for grain, poultry and livestock.

Not even in the early years did all farmers support nationwide cooperative plans, warning against "embracing this demon of commercial radicalism." But the 75-year history of successful cooperative efforts has "laid that demon to rest," Newpher said. "Still, the public perception of the need for cooperative marketing in agriculture ebbs and flows, especially when considering the need for public expenditures."

Producers look to the USDA for expertise and assistance in keeping farms alive and helping them thrive, Newpher stressed. "Benefits provided through implementation of the CMA will move agriculture once again along the path to prosperity. We look to the USDA to provide the governance

benefits that enable us to be the most productive, effective and efficient farmers possible."

Stronger co-op marketing alternative to subsidies

"Although there are notable exceptions, farmers will never return to getting 45 percent to 47 percent of the consumer food dollar they saw in the 1940s and 1950s if they continue selling as they are today and earning only 20 per-



Farm Bureau Executive Officer Richard Newpher, USDA Rural Business-Cooperative Service Deputy Administrator Randall Torgerson, former Agriculture Secretary Earl Butz and NCFC President David Graves.

cent of those dollars," said David Graves, president of the National Council of Farmer Cooperatives (NCFC).

The problem, he said, is that farmers are marketing only about 30 percent of what they produce through a cooperative. As a result, there is a lot to be accomplished in the future of these cooperatives.

"Cooperatives can help farmers earn more of the consumer food dollar and relieve Congress of having to assist producers with a yearly subsidy. The difference between federal assistance and marketing is a symptom of the income shortage farmers and ranchers are experiencing in this country today," he said.

In comparing marketing to assistance, Graves noted that the government has spent more than \$30 billion on agricultural subsidies in recent years. "On the Hill today, there is growing anxiety that those dollars are

not solving the problem and merely treating the symptoms of low income for the nation's farmers and ranchers," Graves said. "The dollars don't address the possibility of investment producers have in the marketplace in attempting to market their production.

"You can give farmers money that serves their needs for one production cycle," Graves noted, "but if you are able to help them market profitably, you do them a favor and provide

assistance for their entire careers."

To address the situation, NCFC formed a task force to ask cooperative managers and farmer-owners to identify the major challenges these businesses face in helping farmers profitably market their production. They said cooperatives need better access to capital in both credit and investment forms (see related story, page 7).

Looking ahead, Graves said the farmers'

future "would be better served in the marketplace if they could move closer to the consumer in terms of marketing their products and services and increasing their share of the consumer dollar spent on food and natural fibers." The problem, he said, is the tendency to look at the price of commodities but fail to understand what happens to the consumer.

Using a biscuit as an example, Graves said 50 to 60 years ago consumers would buy a sack of flour derived from farm-grown wheat at the supermarket and return home to make biscuits from scratch. By comparison, today's biscuits are purchased ready-made and often stuffed with a fried egg and sausage.

"There are a lot of goods and services within that chain of events from which farmers don't benefit," Graves said. "Farmers have no hope of returning to that 45 percent share if they continue selling at what they do today." ■

Need for change trumpeted at NICE

Farm Bill Task Force proposes actions to reverse farm-income downward spiral

By Dan Campbell, editor

In meeting rooms, hotel hallways and around banquet room dining tables, the relentless topic discussed throughout this year's National Institute on Cooperative Education (NICE) in Atlanta was what role cooperatives should play in pursuing major changes to help restore the farm sector's fiscal health. A young farmer from Montana, noting the large size of the check from USDA he'll be getting as part of an emergency aid payment, said that money will keep him in business, but he looks at the aid as a type of welfare and wonders if there is a future in farming the way things are going.

He's not alone. Half of all U.S. net farm income will come from government payments this year. Small wonder, when you look at what has happened to the farmers' slice of the average "food dollar" spent by consumers, says Dan Kelley, GROWMARK board chairman. The farmer's share is down to 20 percent, the lowest level ever and down from more than 37 percent of the food dollar as recently as 1973, Kelley said during an address at NICE.

"Farmers need greater opportunity to generate income from the marketplace," Kelley said while presenting the findings of the National Council of Farmer Cooperatives's (NCFC) Farm Bill Task Force. Increasing the farmers' share of the food dollar by just one cent—to 21 cents—would generate an additional \$6 billion in total income for farmers, he stressed. And an increase of 3 to 4 cents would offset all the government assis-



GROWMARK Chairman Dan Kelley, seen here on his Illinois farm, says farmer-owned cooperatives need greater access to investment capital to help members regain a larger slice of the consumer food dollar. Photo courtesy GROWMARK

tance paid to farmers, he added.

NCFC is supporting the Farmer Business and Income Opportunity Act of 2001 as a means to help farmers better manage their risk and improve income derived from the marketplace. Kelley said it will help farmers compete more effectively in the global marketplace and better capitalize on market opportunities.

NCFC developed its recommendations during a series of meetings attended by cooperative leaders from around the nation. Some of the sessions were standing-room-only affairs, underscoring the urgency of the need to boost farm income.

The key is to improve access to capital and other programs that enhance cooperative efforts, Kelley said.

To improve access to capital, NCFC recommends:

- Raising the \$25 million loan limit

on USDA's Business & Industry Loan Guarantee Program. Kelley noted that Plains Cotton Cooperative built its Texas denim plant for \$25 million in the mid-1970s, but today that plant would cost more than \$100 million to build.

- Clarifying lending authority under the 1996 Farm Bill so that traditional cooperatives would have the same ability to qualify for certain USDA loan programs as do new-generation cooperatives.
- Eliminating the triple tax on co-op dividends.
- Providing co-ops with new tax incentives.
- Establishing new sources for equity capital; this is needed because financially strapped farmers are often unable to invest in projects desperately needed to develop new



Connecting at NICE

Clockwise from top/left: Students participate in a game designed to build team skills; Sotero Agoot Jr. of the Kona Pacific Farmers Cooperative (far right) discusses small co-op marketing strategies with Deaconess Edna Umoete, a Nigerian cooperative development specialist, and two of her countrymen; Dennis Mullen, CEO of Agrilink Foods, works the audience during his lively keynote address; the youth color guard enters the main meeting hall for a general session; Ohio State's Bernard Erven demonstrates how not to conduct a manager interview. USDA photos by Dan Campbell

products or open new markets; new venture capital funds for cooperatives are thus needed.

Other provisions within the bill would seek to revitalize USDA's cooperative programs by establishing the Farmer Cooperative Business Service as a separate agency and maintaining funding for USDA technical assistance grants for cooperatives. A Sense of Congress Resolution is also being sought to reaffirm congressional support for federal programs that encourage and enhance the ability of farmers to join together in cooperative self-help efforts.

"This may be our last opportunity (to enact needed changes)," Kelley said. "Farmers must work together to find ways to enhance their income."

Don't procrastinate, innovate!

In his lively NICE keynote address, Dennis Mullen, CEO of Agrilink Foods, also sounded the call to action. He used the example of a one-pound bag of corn to point out the crisis facing farmers. In 1991, that bag of corn cost 57 cents. Ten years later, the cost is 56.5 cents. "That is actual deflation," he said. "Dairy, cheese, oats, beans—the trend has been much the same."

Mullen said Agrilink has also seen the price for small ears of corn-on-the-cob it supplies to fast food outlets, such as KFC, remain stagnant for nearly a decade. And some apple producers had to sell their crop for 8 cents a pound this year.

"People get raises, electricity and gas costs go way up, but our (farm) prices don't keep up," Mullen said. "We should band together to fight this," he said.

Innovation in the face of rapidly changing technology will be the answer for many successful cooperatives, Mullen said.

"Innovation is needed to provide products when and where consumers want them—you must provide customers with service that sets you apart." He projected that in 10 years, "Walmart will dominate where we buy food, because it is the world's

best distribution company—it gets products to stores better and faster than anyone."

Another food trend to watch is the growth in percentage of older Americans, which will drive increased demand for food perceived to be healthier and more nutritious. Mullen also noted that 70 percent of consumers believe organic foods are better for their health.

A decade ago, shoppers spent an average of 40 minutes in the grocery store, but today it is down to 18 minutes.

"Today, meals are assembled rather than cooked, and dining can take place anywhere. I just saw an ad for a minivan with 17 cupholders!" Mullen said.

Agrilink, Mullen said, wants to redefine the word "commodity" by bringing growers and management together to find ways to add value to their products. Strategic thrusts for Agrilink include being the lowest-cost producer of products and services that meet customers needs through a program of relentless improvement, investment in innovation and developing new supplier partnerships.

Total customer service, development of a totally effective workforce and pursuit of profitable growth are goals driving Agrilink as it pursues its vision statement: "To be widely recognized for leadership and accomplishment as a food processing and marketing cooperative by using all of its members' and employees talents."

Are cooperatives getting too big?

In one of several sessions at NICE dealing with concentration, Charles Beckendorf, board vice chairman of

Dairy Farmers of America (DFA), and John Reifsteck, board vice chairman of GROWMARK, talked about why their cooperatives have seen the necessity to grow to survive during a time when food companies are consolidating even more rapidly.

"The vast majority of growers say agribusiness is too large, said Reifsteck, who is also president of his local cooperative, Illini FS Inc. "But when



A wide array of cooperative literature was available at USDA's booth.

we ask them if co-ops should be large enough to meet the competition, they also say yes." This creates a major dilemma for cooperatives dealing with huge companies that may do more than \$200 billion (such as Walmart) in sales annually, he said.

"We need efficiency to compete, but members are very concerned about concentration. Producers must have a competitive marketplace," Reifsteck said.

GROWMARK has grown from a single-state operation in Illinois into a multi-state, international cooperative. But a "wave of proposed legislation and regulations" could threaten future co-op mergers, and will—at the very least—make it much more time-consuming and expensive for co-ops to pursue mergers, Reifsteck said. Some of these proposed new rules would trigger reviews at the attorney general level if a merged co-op would result in a new business with more than \$100 million in annual sales.

Good interview process crucial to selecting top-notch CEO

Of all the jobs a co-op board must perform, none are more important than selecting a CEO or manager to guide the business. Bernard Erven and Chris Bruynis of The Ohio State University led participants in a NICE management seminar through a series of exercises designed to help improve their odds for picking a winner.

"If the board makes the right decision, it will benefit the cooperative for many years," Erven said. But if the board makes a mistake and picks a weak CEO, the board won't be able to compensate for it in other ways.

"It's similar to marriage: the alter does not correct what a person was when he or she walked down the aisle," Erven said. You can't motivate a misfit into being a good CEO, nor will on-the-job training make it right, he noted. The challenge is thus to find the right person the first time. What the cooperative needs, rather than what the applicant would like to do, should guide the hiring process.

If a board lacks confidence that it can do a good job of finding the right person for the job, it should get outside help. The best candidates for the job will expect a good, thorough interview process.

Erven and Bruynis suggested following these steps:

1. Determine the co-op's labor and management needs; do a careful analysis to make sure the candidate will fit the needs of the entire organization. This will take a significant amount of the board's time.
2. Develop a written, up-to-date job description.
3. Build a pool of candidates – the more the better. If you can't develop a pool, stop the process until you can. Internal applications should be allowed unless a formal decision is made not to. But it is advisable not to discriminate against your own employees.



Bernard Erven of The Ohio State University practices job candidate interviewing techniques with Mel Machado of Blue Diamond Growers.

4. Review the applications and select those you wish to interview.

5. Conduct the interviews. But first decide who will be on the interview team, whether it will be a formal or informal interview, what questions will be asked, how evaluations will be recorded and where the interview will be conducted.

6. Check references.

7. Make a selection.

8. Hire selected applicant.

Volunteers from the audience participated in mock interviews to demonstrate effective interview techniques. These include: asking questions that cannot be answered with a yes or no; encouraging applicants to talk about themselves and covering a variety of topics, including some "what if" situations.

"You want to determine how candidates bring their own knowledge into play, perhaps eventually leading to a situation where they must admit they don't know the answer. You are not so much looking for right

answers to these questions, but to how the applicant will behave when faced with a tough situation," Erven said. "Will the person get angry if he or she feels trapped?"

Ask only questions that are job related and will give insight into a candidate's ability to perform the job. It is best to have four or even five board members participate in the interview, and they should practice doing interviews before the real ones are held. Do not use the previous CEO to help interview. Also encourage the applicant to ask questions.

Your new leader should be able to inspire efforts of others through his leadership style, Bruynis said. ■

But many local co-ops—including his own—are approaching \$100 million in sales, he said. And these locals have even fewer resources than do regional co-ops to deal with a more cumbersome review process.

"Had these regulations been in place in the past, I don't think we would be as good a co-op as we are today," Reifsteck said. He noted that his father and

grandfather were both co-op presidents, but said that if those co-ops had not grown over the years, there is no way they would be able to meet the farm supply needs of today's sophisticated farms.

"It (adoption of the proposed laws) would be like closing the door on our co-op fingers as we struggle to compete. Why should we let legislators in

Washington tell us what is good for our future? Who pays for it? We will," he said.

"We've been through much consolidation, but it has all been done for the best interest of our farmers," Reifsteck said. "At the end of the day, we directors go home and must deal with our sharpest critics, our neighbors and friends in agriculture."

Why DFA pursued growth through mergers

Beckendorf described how DFA became the nation's largest dairy co-op through a series of mergers. The genesis of DFA occurred in October 1996, he said, "when we lost 30 percent of our milk price in one week." Beckendorf traced the price plunge back to the concentration among food companies and the dramatic drop in the number of large cheese manufacturers that resulted. Suffering the pinch of higher-than-anticipated milk prices for their raw ingredient, the large manufacturers simply sold off enough of their inventories of cheese to drive down the cheese market, on which farm milk prices are based.

He said the industry had also seen the number of milk processing plants drop from 2,800 to 500 during the past decade. "All this concentration left dairy farmers at a disadvantage because we had many more cooperatives competing to sell to fewer buyers," Beckendorf said.

"We (the original four member co-ops) met at the Chicago airport that December, and we asked, what can we do? We can't take price volatility like this."

Another writing-on-the-wall event occurred about six years ago when a Pepsico official spoke at the National Milk Producers' Federation meeting. Beckendorf said the beverage giant then had 28 suppliers, but said it wanted to pare down to just eight. "We weren't big enough individually, as separate co-ops, to handle these types of national accounts," Beckendorf said.

The eyes of co-op leaders were also opened on a trip to Holland in 1996, where "we saw that they were 20 years ahead of us in product development."

DFA is now nearly four years old, and it just downsized its board from 119 members to 48 after a three-year transition period. "Members are still concerned that dairy farmers not go the same way as poultry and hog producers," said Beckendorf, who, with his brother, milks 250 Holsteins in Tomball, Texas. "They don't want to be piece workers nor to depend on gov-

ernment payments" to survive.

DFA has done substantial streamlining since its formation, closing 22, mostly older processing plants and consolidating 40 offices. Several thousand jobs were lost in the process, "but it was our dollars at risk," he said. He points to the \$33 million in earnings the co-op had last year, adding, "rising water raises all boats."

Is DFA still fighting for survival?

"Yes," he said, but its odds are greatly improved thanks to the mergers.

"Before, four of us, as large regional co-ops, were going to the same customers, each trying to undercut the other in the market." DFA member co-ops (now seven in number) are no longer running parallel milk runs and there is less overlap (and therefore greater efficiency) in its processing plants.

"In a true merger," Beckendorf said, "all obligations of the members are retained." DFA, he said, honored all equity owed by its member co-ops, dollar for dollar. "Not one of our dairy farmers has lost any equity. The merger strengthened our equity base."

Agribusiness still comparatively small

In another session dealing with concentration, Steve Sonka, University of Illinois ag economist, said recent large mergers—such as Suiza Foods/Dean Foods, Cargill/Continental Grain, Dupont/Pioneer Seeds and Tysons Meats' ongoing effort to acquire IBP meat packing—have made them all bigger, but they are still small fry compared to their cousins in heavy industry, petroleum and electronics. ConAgra today is a \$12 billion company, ADM \$9 billion, Tysons \$4 billion and Dean/Suiza \$3 billion. But consider that General Electric does \$420 billion in business annually, Exxon/Mobile \$300 billion and Microsoft \$300 billion.

"Wall Street continues

to think most food companies are too small," and that they are paying too much for their capital, Sonka said, adding that "agribusiness did not grow fast enough in the last half of the 1990s."

"Why don't we have 20 meat packers today? Because they would not be as efficient" [as the four or five that dominate the industry], he said. Today, there is much talk about the "evil vertical integrators" who have taken over pork production in the Southeast, Sonka said. "But when I was growing up [on a farm in Iowa], I was taught that corn farmers who also grew hogs were evil vertical integrators."

The cost of analyzing data and communicating is dropping rapidly, Sonka said. "The world has changed. Walls came down. Information flows more freely today." Less expensive technology makes vertical coordination better than vertical integration, Sonka said. He noted that Nike owns no bricks and mortar, and Microsoft owns little in the way of plants. Commodity returns, he said, are "just enough to keep you in business. Is that fair? Who cares? Not the market."

Co-ops, Sonka said, need to look more to brand development, knowledge accumulation and risk taking, all of which have high value in today's market.

Co-ops should focus on how to get producers involved in the world of



Economist Steve Sonka: "Farmers should look to the auto industry model of the 1950s—buy a system and run it and see what comes out the other end. If it's bad, fix it."

Clear sense of vision & mission critical to co-ops facing mergers

"Without a clear vision, mission, set of values and defined ways to measure success, a cooperative's communications efforts are an unnecessary investment," said Maury Miller, recently retired vice president of member services at CHS Cooperatives (Cenex Harvest States).

This philosophy helped guide the communications efforts of the co-op during the past 25 years as it grew and diversified through a series of mergers, Miller said., including a major unification of CENEX and Harvest States Cooperatives in 1998. That historic merger came together more quickly than many that had preceded it, in large part because of the excellent buy-in that existed among both organizations regarding their new mission.

CENEX and Land O' Lakes formed a joint venture in 1987 to market their farm supply products, including an agronomy operation of which each owned 50 percent. Just 10 years later, the joint profitability of the two cooperatives was more than \$200 million, and the joint venture is widely considered as a model of success. Mergers such as this create "overwhelming communications challenges" needed to blend differing "corporate" cultures, Miller noted.

Consolidations, Miller said, are not so much exercises in economics as in human relations, which makes communications critical to the success of the effort. In a merger, some will have to give up things they may hold dearly. Compromise becomes the order of the day in order to build a stronger, unified organization. "That's not an easy thing to do when dealing with directors and managers who are highly driven and have strong views of what they want to do," Miller said.

Effective communications requires clear understanding of the co-op's:

1. Vision—what does the co-op want to be? In the

case of CHS, the vision was to build "an integrated ag supply and grain-based foods system."

2. Mission—what is the co-op's purpose? For CHS, it was "improving the cooperative's and producers' profitability and value."

3. Values—What core values will guide the way in which the co-op does business? Integrity/honesty, professionalism, quality of goods and services and respect for all were the key values CHS chose.

4. Measurements of success—growth, financial and customer success were the performance yardstick CHS selected.

The bottom line for every decision the CHS board makes is, "Did we help our farmers succeed by this action?" Miller said, "If not, we didn't do so well. Helping producers and local co-ops succeed and serving local communities are why CHS exists, he said.

Miller stressed that an informed member is a more loyal member, and that about the

last thing CHS would ever do is eliminate its member magazine ("Partners"), its primary tool for communicating with 350,000 producer-members. While Miller said he foresees a big role for the Internet in cooperative communications programs, he stressed that "it is not even close" to being a replacement for print communications with members.

Miller said he feels the farm media will usually try to help you tell your story if you are open and honest with them. Most communications, he added, should be framed for readers who will be thinking: "how does this impact me."

CHS has maintained a strong communications program in large part, Miller said, because it staffs the office with communications professionals, and does not use it as "a dumping ground for people who can't do real jobs." ■



Maury Miller says co-op consolidations present "overwhelming communications challenges."

knowledge. If farmers would stop purchasing corn varieties that rank in the lowest 25 percent for yield, they could earn an extra \$28 per acre, he said. "That's easy money – more than enough to buy a jacket for the friend who sells you that low-yield seed."

Sonka said co-ops are struggling to find successful value-added activity, but that "90 brands fail for every 10 that are successful. But the value of the 10 that win will far exceed the

value of the 90 that fail."

Concentration is likely to continue and could even intensify, Sonka said. "It is valid to have concerns and emotions about this trend, but the real issue is performance. For co-ops, and for the rest of ag sector, the key will be boosting intangible assets."

In response to questions about the ethics of co-ops competing with producers (in areas such as hog feeding), Sonka responded that producers should look at

these co-ops as businesses they own which generate profits that they can share in. Learn why this activity is successful and bring that knowledge gained to your own operation," he urged.

How co-ops rate on accumulation of knowledge, and willingness to share it, will be a key in the future. "They should look to the auto industry model of the 1950s—buy a system and run it and see what comes out the other end. If it's bad, fix it." ■

Hazen selected top CEO communicator

Says innovation and “.coop” can compensate for tight budget

By Dan Campbell, editor

Since his first day on the job as CEO of the National Cooperative Business Association (NCBA), Paul Hazen has been an ardent practitioner of the art of communications and has supported and expanded the association's communications and education programs.

Whether providing support to produce NCBA's award-winning video, “The Spirit of Cooperation,” making a speech about the advantages of cooperatives before a major conference, or leading the charge to establish the new “.coop” Internet domain, Hazen has been a tireless champion of effective cooperative communications. In recognition of this commitment, Hazen has been selected as the CEO Communicator of the Year for 2001 by the Cooperative Communicators Association (CCA).

In announcing his selection, outgoing CCA President Lani Jordan of CENEX Harvest States saluted Hazen for “providing leadership to integrate communications into the planning and management process of NCBA, for supporting its communications staff and conveying cooperative ideas with skill and enthusiasm.”

Accepting the award before an audience of more than 150 at the annual communications institute of the Cooperative Communicators Association in Orlando, Fla., Hazen said that cooperatives rarely have the kind of big budgets for advertising and public affairs programs that are common among large, investor-owned companies. So they must

compensate with creativity and innovation to make sure they get their messages across to the public, Hazen said.

He also noted that cooperatives are often so focused on internal [member/employee] communications that they overlook the importance of external communications.

“If we talk only to each other, we are doomed as a sector,” said Hazen. “We must go beyond our own sector of the economy to reach the media, the public and lawmakers with messages about the breadth and economic strength of cooperatives, he said, noting that surveys have shown that the majority of American consumers have a favorable impression of cooperatives.

Hazen urged cooperatives to emphasize their cooperative status and principles when communicating with the public. “We tend to apologize for being co-ops, as though we've grown successful businesses in spite of our cooperative status, not because of it. That's wrong, and it will get us nowhere.” When talking to the media, Hazen said co-ops should talk about why cooperatives are better than other types of business.

“Only through strong, clear communications will more people come to recognize and embrace the cooperative business structure.”

Sees huge potential for “.coop”

One major communications feat which helped Hazen win the CCA honor—creation of the “.coop” Internet domain—can also help cooperatives differentiate themselves in a “crowded but extremely important marketplace.” He noted that the Internet has the power to



Paul Hazen

someday “eclipse television in popularity,” at a fraction of the cost of TV advertising. The new, .coop Web address is thus a powerful marketing and branding tool for the 400 million people worldwide with Internet access (of which 167 million live in the United States).

“Cooperatives now own a monopoly on the Internet, which is a strange position for cooperatives. I have never liked monopolies, but now that we own one, I guess they are OK,” Hazen joked.

“In four letters, you can tell consumers who you are, how you do business and what you value. In a world where consumers seem to have shorter and shorter attention spans, you can't find a communications message more efficient than that.”

Hazen said .coop will create a “fresh, modern image” for co-ops, especially with young consumers, many of whom would “rather give up their TV than their Internet connection.” He envisions students in classrooms raising their hands to ask teachers what “.coop” stands for, triggering a discussion about what a cooperative is.

“I believe .coop will do more to promote cooperatives than any other single initiative could have,” Hazen said. He concluded by challenging each of the communicators present to “go back to your CEOs and IT people and get them thinking about what new names your cooperative needs for its new, .coop web address...it's your job to encourage them to make use of this powerful medium.” ■

Season of turmoil

A price dispute between California's raisin growers and packers divides a financially troubled industry

By Catherine Merlo

In a normal year, raisin grower Steve Kister prepares his vineyards near Fresno, Calif., for a late summer harvest. In September, he picks the Thompson seedless grapes hanging lush and heavy on his vines and lays them to dry under the hot California sun. In October, when the grapes have shriveled to raisins, Kister sends them off to a packer for process-

ing and marketing. He always knows by then what price he can expect for his raisin crop, and by November, he typically realizes a profitable cash return.

The past year, however, has been anything but normal for Kister and California's 5,000 raisin growers, who produce virtually all of the nation's raisins. Along with the state's 16 major packers, they have been struggling through a season of turmoil, dissent and financial hardship. Shaken by bearish supply-demand forces and a protracted

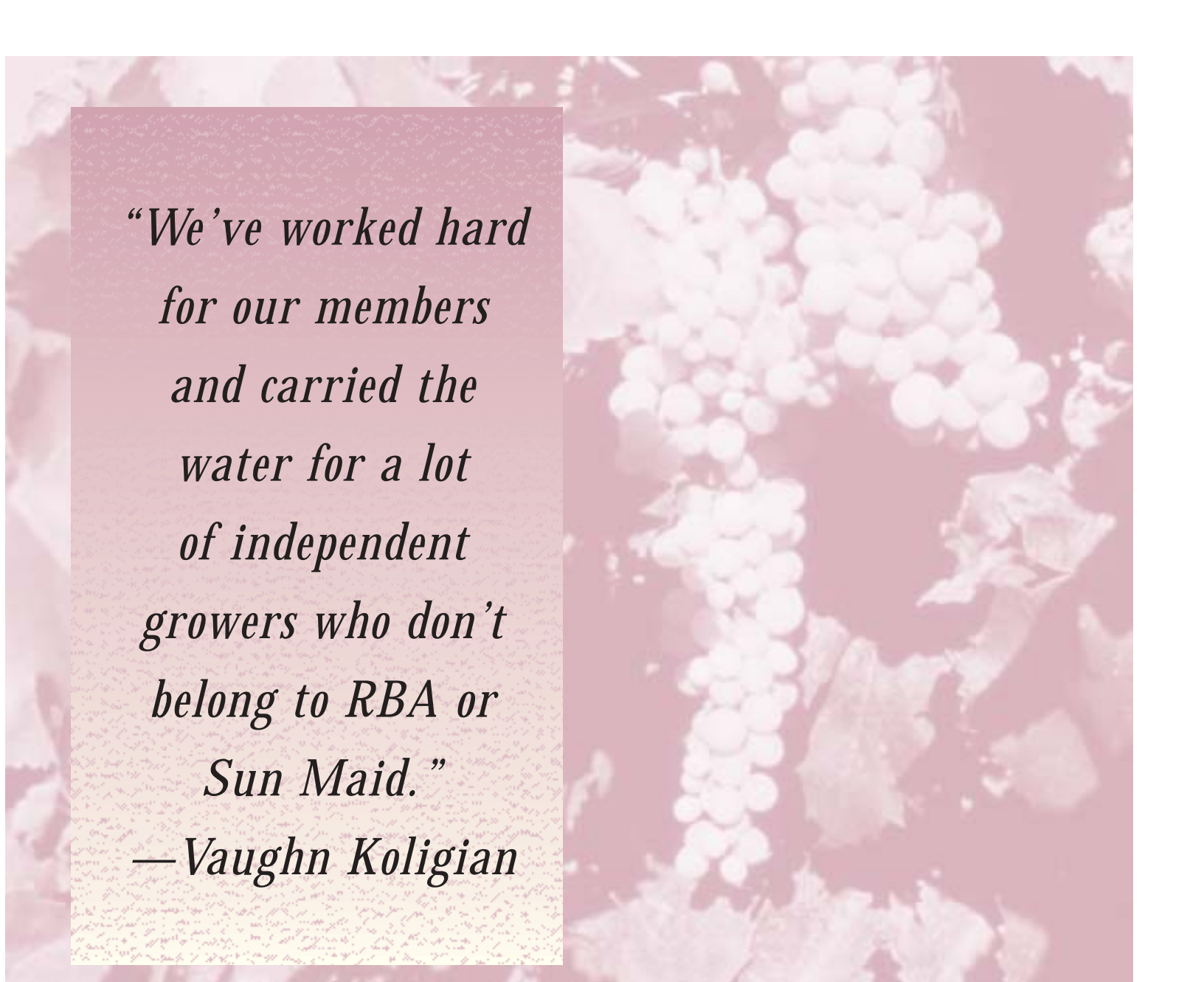
price dispute that disrupted the season's normal progress and divided growers and packers, the industry is reeling.

"This season has been the toughest downturn our industry has ever faced," says Kister, whose family has grown raisin grapes in the Fresno area since the 1930s. "Not all growers are going to survive."

Kister, 47, has held a front-row seat to the season's raisin drama. His family farms 400 acres of raisin grapes, a large-scale operation compared to the



Raisins bask in the warm California sun while growers fume over prices that have plunged to levels that could drive 20 percent of the state's growers out of business. Photo courtesy California Raisin Marketing Board



*“We’ve worked hard
for our members
and carried the
water for a lot
of independent
growers who don’t
belong to RBA or
Sun Maid.”
—Vaughn Koligian*

industry average of 40 acres. He is secretary of the commodity-promoting California Raisin Marketing Board. He is a member of the Raisin Administrative Committee that oversees the industry’s federal marketing order.

But nothing has put Kister closer to the center of the industry’s fray than his role as president of the Fresno-based Raisin Bargaining Association (RBA), the nation’s largest, and this year’s most embattled, bargaining association.

Inside RBA and the raisin industry

Grower-owned and grower-controlled RBA was formed in 1966 to negotiate with packers for an annual field price for members’ raisins. That

negotiated price becomes the pricing standard for the industry.

With 2,000 members, RBA today represents 40 percent of the industry’s raisin volume. Another 30 percent of growers belong to Sun-Maid Growers, the well-known raisin-processing cooperative. The remaining raisin producers are independents. Together, California growers farm about 270,000 acres of raisin varieties, producing 40 percent of the world’s raisin supply. In all, the farm-gate value of California raisins has generally reached about \$320 million a year.

Last October, against a backdrop of the largest raisin crop in California history and declining industry sales,

RBA did as it always does. After examining all economic supply and demand data, it offered its seasonal raisin price to packers.

RBA was well aware the price situation wasn’t optimistic. Even though raisin prices had been elevated for the past couple of years, the supply-demand scenario did not favor continued high prices. Estimates put the 2000 raisin crop at a record 440,000 tons, an increase of nearly 47 percent over the previous year. It far exceeded the 350,000 tons the industry generally produces each year. The bumper crop also sharply surpassed the 280,000 tons the industry annually sells.

To make matters worse, both

domestic and export sales had dropped to 15-year lows. Some say sales were hurt by the record prices growers had been receiving. In 1998, RBA growers received \$1,290 per ton. The following year, growers bargained for, and got, \$1,425 a ton.

"We may have priced ourselves out of the market," says Jerry Rebensdorf, president of Fresno Cooperative Raisin Growers, a packer with 35 grower-members.

Sales losses also were blamed in part on increased raisin imports, particularly from Chile, Mexico and Afghanistan, where labor and other production costs are lower. In addition, increased amounts of California wine grapes found their way into juice concentrate channels, taking more market from the raisin-producing Thompson seedless grapes. Moreover, dried fruit consumption has declined as part of a long-term trend.

"We knew we were entering new territory," says Vaughn Koligian, RBA's chief executive officer since 1989. "We knew a price adjustment was in order but there was no need to take prices to the unnecessarily low levels proposed by some packers."

The bargaining association made



Vaughn Koligian, CEO of the Raisin Bargaining Association, says that while the group is disappointed with low prices growers received, he is pleased the major raisin buyers, such as Kellogg's, have responded by using 25 percent more California raisins. USDA photo by Catherine Merlo

2001 crop price leaves growers unhappy

In late July—several months earlier than prices are typically announced—the Raisin Bargaining Association (RBA) agreed to a price of \$880 per ton for the 2001 crop, angering some growers who say they need at least \$1,000 per ton just to break even. RBA CEO Vaughn Koligian told the Fresno Bee newspaper that RBA directors were not pleased with the price, but that the majority felt it was necessary to ease out of the market glut that is plaguing the industry.

Koligian said the price should stimulate sales momentum and help the industry "get out of this mess as quickly as possible," the newspaper reported. However, some observers say the low price for a second consecutive year could drive some growers to a new bargaining association. ■

two price offers in October: the first at \$1,100 per ton for Natural Seedless, and, when that was quickly rejected, another at \$1,025 per ton, a 28 percent decrease from the previous year. Packers rejected RBA's second offer as well. "Growers have always got what RBA asked for," says Dennis Housepian, vice president of sales for Caruthers Raisin Packing Co., a medium-sized packer just outside of Fresno. "This time, reality set in. We could not continue to accept their prices because the reality of the marketplace would not allow us to do that. Compared to demand and where the market was, their offers were unrealistically high."

Growers and packers deadlock over prices

With the packers' rejection of RBA's second offer, two courses were now open to resolve the price dispute: conciliation and arbitration. RBA sought conciliation, which is overseen by California's Department of Food and Agriculture (CDFA).

"Conciliation is much more expeditious," Koligian says. "It provides an opportunity to settle the price in a matter of days, while arbitration takes months."

The packers also agreed to

conciliation. CDFA ordered conciliation to take place Dec. 8-10 in Fresno. When it concluded, no resolution had been reached.

"There was too much division between the two sides," says Koligian.

On Dec. 11, RBA filed notice to go to binding arbitration to resolve the price dispute. It was the first time in RBA's 34-year history that arbitration was needed to settle price.

"We had come close a couple of times before but the industry had compromised and agreement had been reached," Koligian says.

As 2001 began, the split between growers and packers grew more contentious. Packer representatives accused RBA of purposely delaying a pricing settlement to create an artificial shortage of raisins in the marketplace. RBA denied the charge, saying it had no interest in delaying payments to its members.

RBA called for a three-member arbitration panel. The bargaining association and packers argued over who should comprise the third, and neutral, arbitrator. RBA already had chosen Dave Zollinger, former president of the California Tomato Growers Association, as its representative. The packers had selected Daniel F. Quinn, a Stockton attorney, to represent them.

Finally, in February, the two sides

How the Raisin Bargaining Association got its start

RBA was formed in 1966 to help California's raisin growers fare better economically. Of the 5,000 raisin growers in the industry at that time, some 2,000 were members of Sun-Maid Growers and the rest were independent growers. Each year, these non-cooperative members had to negotiate individual sales contracts with their packers.

"Those open-price contracts could be compared to buying an airplane ticket without knowing where you were flying," says Vaughn Koligian, RBA president. "Packers were able to play large growers against small growers and even take advantage of the operator who wasn't a good negotiator.

Some packers were consistent and paid all of their growers the same fair price, while others held out and paid a range of prices. Damage incurred from rains or similar occurrences made the negotiations that much tougher at times. There was also a great deal of work to be done to sign pricing contracts with so many growers.

"When you compound this problem with the fact that there were about 20 packers at the time, you can see the task was quite difficult," Koligian says.

Under the leadership of grower Ernie Bedrosian, RBA's initial members put up the capital to start the association. Support for the bargaining group grew rapidly, although there was still some reluctance by many in the industry.

"Keep in mind," says Koligian, "that growers were

essentially paid by their packer at a price that could fluctuate from farmer to farmer. If they joined RBA, would there be repercussions?"

RBA offered its first contract in 1967. The first company to sign an RBA contract was Enoch Packing Company, established in 1919 and still operating today under the grandchildren of its founder.

The original master contract has been modified slightly over the years but its original foundation remains intact. RBA signs with a packer to deliver the products of its members. If a packer does not sign, RBA will divert its members' tonnage to another signatory packer.

"The strength of the contract comes from the fact that the grower passes title of his product to RBA in consideration for the marketing of that product," Koligian says. "Taking title gives us control over the raisins and separates RBA from a number of other bargaining associations. It also places a greater burden on us to ensure our members have a home for their products."

RBA members typically deliver about 140,000 tons of raisins a year with a value of approximately \$140 million. Its 33-member board of raisin producers sets the policy for RBA's five-member staff. In addition to price negotiations, RBA represents growers on labor issues, air quality, legal matters and support in Washington, D.C. and Sacramento. RBA also holds 13 of the 47 seats on the Raisin Administrative Committee, which oversees the industry's federal marketing order. ■

agreed upon Eugene Lynch, a retired San Francisco judge, as the neutral arbitrator. But another setback arose in March when it was learned that, because of a busy schedule, Lynch would not be able to meet with Zollinger and Quinn until April 30. RBA appealed to packers to find another judge who could hear the case sooner. Packer representatives said no. Disappointed, RBA had to proceed with Lynch.

It was now the height of the raisin-marketing season, which runs Aug. 1 to July 31, and there was still no price in sight. The waiting process dragged on. "It was a calamity unfolding," says Koligian. "The price delay was affecting growers both financially and emotionally."

The mood was tense at RBA's annual meeting March 3, attended by an unusually large crowd of nearly 900. Koligian discussed the season's tough financial challenges and the grower-packer division. He also reminded members that RBA had performed exceptionally well over the past decade, and called on them to stand strong with the association.

In a question-and-answer session near the meeting's end, frustrated growers commented on the pricing deadlock, packers and on-the-farm financial troubles. There was even a call not to renew Koligian's contract. That led nowhere, and several growers rallied to Koligian's defense.

Growers were not the only ones

affected by the pricing uncertainty. "The situation created havoc in the marketplace from the unknown factor of not having the price settled," says Housepian.

Packers filled orders from the previous year's inventory of raisins, bought at a price of \$1,425 per ton. "We had to get rid of that inventory or take a tremendous loss," Housepian says. "We were out in the marketplace without knowing our cost of production. But we had to hold our place in the market. That uncertainty led prices to continue dropping like a rock."

Arbitration price "devastating"

The six-month pricing deadlock was broken May 2 after three days of binding



"It's been a season of turmoil and chaos," says Dennis Housepian of Caruthers Raisin Packing Co., one of the industry's 16 major packers. He believes growers and packers "must sit down and understand each other." USDA photo by Catherine Merlo

arbitration in San Francisco. Arbitrators determined the free tonnage price for the year's raisins would be \$877.50 per ton on the free tonnage, or 53 percent of

Koligian says the RBA "was devastated." "We couldn't believe the price would be this low," he says.

RBA had fought for a price of

the crop. (Under a formula used for the industry's federal marketing order, part of the raisin crop is put into reserve and the remaining tonnage is freed for marketing. See sidebar on state and federal marketing orders.)

When the result was announced,

\$1,100 per ton throughout the arbitration. The \$877.50 price on 53-percent free tonnage put growers' net price for the season at about \$465 per ton. That compared to the previous year's price of \$1,425 on 85 percent free tonnage, or a net of \$1,211. Most raisin growers must net somewhere in the range of \$750 per ton to meet production costs.

"I was hoping for at least \$900 per ton on the arbitration price," says Rebensdorf. "At this price level, we're going to lose money on the crop and I'm not happy about that. But this had to be done to increase industry sales."

Although arbitration resolved the price dispute, the industry's wounds linger.

"It's the worst split I've ever seen in this industry," says Pete Penner, a long-time raisin grower and former

State and federal marketing orders direct dancing raisins and market supply

California's raisin industry operates under both a federal and a state marketing order.

State marketing order

Thanks to the state marketing order funded by growers to promote their sweet, dried commodity, California's dancing raisins have returned. Growers reinstated the state marketing order in 1998 after a four-year disappearance. The previous marketing order had been discontinued in 1994 after pressure from industry packers, says Pete Penner, chairman of the California Raisin Marketing Board (CRMB), which oversees the marketing order's activities.

Domestic raisin sales declined 3 percent a year after 1994, says Kathy Moulthrop, CRMB's communications administrator. "Because of that downturn, growers realized we needed generic promotion of raisins," she says.

Growers not only voted to reinstate the state marketing order in 1998 but, in May of this year, overwhelmingly approved a five-year continuance of the program. A per-ton assessment to growers funds the program.

Today, the program promotes raisins through a print advertising campaign, "Look Who's Cooking With California Raisins." The campaign features several prominent

chefs. CRMB also sponsors health and nutrition research.

Most recently, the program has gone to "a full court press," Penner says. It recently granted licensing agreements to Hardee's Restaurants, Hershey's Creamery Co. and Brach's Candy Co., to use the dancing raisin images in various promotions, including television commercials.

Federal marketing order

The federal marketing order was designed to provide for the orderly buying and selling of raisins, to increase sales and to improve returns to growers.

The Raisin Administrative Committee, a board comprised of growers and packers, oversees the order. The RAC sets grades and standards for incoming and processed raisins and oversees the disposition of reserve tonnage.

The industry uses a formula to determine its "free" and "reserve" tonnage. Here's how it works: Growers deliver their crop to a packer, who pays them directly for what is called free tonnage, as determined by the formula. Those raisins not acquired by the processor are placed into a pool as reserve tonnage. Growers share in an undivided interest in the reserve pool. ■

chairman of the board of Sun-Maid Growers of California.

Trying to survive

The industry's problems have not disappeared. Although the lower prices have recently spurred raisin sales and the upcoming crop will be smaller, the situation in the vineyards is close to desperate. Production costs are high. Water is in short supply. Land values have plummeted. Many growers are struggling to stay afloat.

"Most raisin growers have lost about \$500 an acre where they might normally net \$500 to \$1,000," says Penner, who remains a Sun-Maid director.

"I would estimate that 20 percent of the state's raisin growers will go broke this year," Rebensdorf says.

Changes are needed, growers and packers agree. But opinions vary on what those changes should be.

"We need to get to a level where we can start selling raisins and get our markets back," says Rebensdorf. "The only way we're going to do that is to reduce production. Our problem is over-supply."



Sun Maid, a grower-owned cooperative, is the industry's largest processor. Photo courtesy Sun Maid



Many of Steve Kister's Thompson seedless grape vineyards are 60 years old. Raisin's are Kister's only crop. USDA photo by Catherine Merlo

Houseman believes the quality of California's raisin crop must improve to better meet world competition.

Penner says the industry must do a better marketing job to increase raisin consumption.

Better understanding is needed between growers and packers, says Alan Kasparian, a raisin farmer and grower relations manager for a Fresno packer. "This year amplified problems that have been there for a long time," he says. "Growers and packers have more in common than they think."

There has been criticism by packers over the federal marketing order and calls to modify its provisions, although RBA's Kister believes the order has served raisin growers well.

Some growers believe packers should support the Fresno-based California Raisin Marketing Board (CRMB), which has a \$5-million annual budget to raise awareness for raisins with the goal of raising demand and increasing sales.

A small group of growers, unhappy with the arbitration outcome and RBA, have formed a rival bargaining association called the California

Raisin Reform Association. But many growers and packers alike believe the industry can support only one bargaining association. Most, including non-members like Penner and Rebensdorf, continue to endorse RBA.

"RBA and the marketing order have kept us in business for the past 34 years," Rebensdorf maintains.

"I would rue the day if we ever lost RBA," Penner says.

Koligian staunchly defends RBA. "It's shortsighted of people to judge this association by the 2000-01 season," he says. "We've worked hard for our members and carried the water for a lot of independent growers who don't belong to RBA or Sun Maid."

Industry changes are coming, says Kister, but the process will be painful. "Our problems are real and they cannot be addressed or fixed quickly," he says, already anticipating a packed meeting schedule.

But first, he says, the division between raisin packers and growers must end. "In tough times, we must pull together," he says. "We have to work as one industry to survive. Maybe now, people can see the value of that." ■

More than one way...

Dairy co-ops pursue varied paths to structural change

By Carolyn Liebrand,
Agricultural Economist
USDA/RBS/Cooperative Services

Editor's note: This article is based on USDA/RBS Research Report 187, "Structural Changes in the Dairy Co-op Sector, 1992-2000," which presents a detailed look at the changes in the U.S. dairy cooperative sector and documents the structural changes that occurred in the final decade of the 20th century.

As the 20th century drew to a close, the dairy industry continued to adapt to dynamic market conditions such as advances in production technology (both on the farm and in the milk plant), consolidation and growth of retail food chains, and vertical and horizontal integration in milk manufacturing/processing sectors. Other changes include new trade rules and practices and changes in government dairy programs.

Increasing size and productivity of production units and reduction in the number of production plants have become the tell-tale signs of change. Dairy cooperatives have likewise followed this pattern: fewer cooperatives were handling an increasing volume of milk, as the waning years of the century saw another wave of rapid consolidation in the dairy sector.

Dairy cooperative adjustment

The number of dairy cooperatives in the United States fell almost 20 percent between 1992 and the end of 2000. However, the adjustment was more dynamic than the net loss of 52 cooperatives indicates. A closer look reveals that 84 cooperatives went out of existence (or, 32 percent of the 1992 dairy cooperative numbers) during the nine-year period.

Some dairy co-ops disappeared

Dairy cooperatives exited the industry in a variety of manners. Many of the exiting cooperatives dissolved, going out of business and leaving no successor organization (table 1). Former members then joined other cooperatives, formed new



Silos—including the state's tallest—tower over Gary Kline, a field representative for Dairy Farmers of America on the farm of Gerald Garber south of Harrisonburg, Va. Garber's previous co-op, Valley of Virginia Milk Producers Association, became the seventh co-op to join DFA when it merged with the larger co-op in February, 2000. Photo by Raymond Crouch, courtesy DFA

cooperatives or resorted to selling their milk directly to milk plants independent of a co-op. A small number of dairy cooperatives were acquired by other dairy firms not operating on a cooperative basis ("investor-owned firms"). A few co-ops had their milk sales decline to less than one-half of their total sales, thus were no longer classified as predominately dairy cooperatives. This reorientation to other operations, usually feed or supplies, sometimes was the result of a merger with a supply cooperative. Finally, another large segment exited by merging with other dairy cooperatives.

Cooperatives combined with other dairy cooperatives for various reasons such as: to take advantage of scale economies; to better configure and utilize a system of manufacturing plants and to reduce operating overhead; to foster marketing clout; and to secure milk supplies, often eliminating overlapping activities, such as milk pick-up routes. Another driving force behind the mergers was to keep pace with consolidation in the retail sector, thereby allowing the unified cooperatives to supply larger volumes and meet customer product requirements through horizontal integration.

Also, the increased ability to transport milk due to improvements in trucking, milk quality and milk handling—

as well as advanced packaging technology—may have facilitated this consolidation between dairy cooperatives. Furthermore, the increased merger activity the last three years of the century may have, in part, been a result of cooperatives anticipating and reacting to the new, consolidated Federal Milk Marketing Orders (FMMO), which went into effect Jan. 1, 2000. The mergers expanded the geographical reach and market power of the surviving/emerging organizations and by 2000 some dairy cooperatives' memberships spanned multiple regions or were even nationwide, while the number of states housing dairy cooperative headquarters shrunk.

When dairy cooperatives exited the industry by merger, either the exiting cooperative's operations were consolidated into an ongoing dairy cooperative that maintained its identity, or a new dairy cooperative was formed and the unifying cooperatives lost their identities. Indeed, 26 of the 36 dairy cooperatives exiting through merger between 1992 and the end of 2000 eventually became part of six new cooperatives formed by consolidation in this time period. Four of these six new cooperatives handled more than 1 billion pounds of milk per year. Just 10 cooperatives that exited via unification were absorbed into ongoing concerns.

Formation of new dairy co-ops

In contrast to the overall trend of shrinking dairy cooperative numbers, 32 dairy cooperatives were newly organized between 1992 and the end of 2000. This means that 15 percent of the nation's present dairy cooperatives were formed during the past nine years. Six cooperatives were created by dairy cooperative unification, as mentioned previously, but most were formed by newly organized groups of producers (table 2). So, despite the headline-making consolidation taking place in the dairy cooperative sector during the 1990s, other trends were also afoot.

All but one of the 26 cooperatives organized by these new groups of farmers seeking alternative marketing avenues for their milk handled less than 1 billion pounds of milk annually, and the majority of these handled less than 50 million pounds. These new groups of producers banded together for a variety of reasons. Some formed to capture marketing margins by further processing their milk, focusing on a particular market niche. Commonly, the market niche was specialty cheese — a unique variety or product

with distinguishing characteristics (perceived or real) such as “organic,” “rBST-free,” “locally produced,” etc. One group formed with the intention of processing branded fluid milk and capitalizing on similar types of attributes.

Additionally, some dairy farmers may have been seeking other alternatives to “mega-cooperatives” for their marketing needs in forming a few of these new organizations. Others were formed by groups of new dairy operations that were similarly situated. Several of the new dairy cooperatives may have been, in essence, successors to cooperatives that had gone out of business for a time.

Adjustment in dairy co-op operations

The type of marketing operations a dairy cooperative engages in on behalf of its members varies from cooperative to cooperative. Between 1992 and 2000, there was adjustment in the numbers of dairy cooperatives engaging in various marketing activities. In addition to entries and exits, some cooperatives altered the focus of their operations to adapt to changing market conditions, which put them into a different operational group.

A large portion of U.S. dairy cooperatives do not own or operate milk manufacturing or processing facilities, but they do provide producers a voice in the marketplace, meeting such needs as negotiating milk price and terms of trade, ensuring the accuracy of weights and tests in computing producer milk checks, and providing representation in govern-

ment policy matters. These “bargaining-only” cooperatives were the most numerous type in 1992 and, by 2000, represented an even larger share of U.S. cooperatives (table 3). Many of the new bargaining-only cooperatives were formed by new groups of producers (as opposed to being the result of cooperative consolidation).

A handful of cooperatives closed their aging manufacturing facilities during this time period but continued their bargaining activities. These co-ops were regrouped into USDA's “bargaining-only” designation. Thus, bargaining-only cooperative numbers dropped off at a slower pace than the other operating types over the nine-year period.

Another subset of the nation's dairy cooperatives, in addition to their bargaining activities, manufactures milk into commodity, or undifferentiated, dairy products, such as butter, powder and bulk cheese. Some of this activity



occurs on a small scale for market-balancing purposes, and others on a large scale to capture economies of size. This commodity manufacturing group declined by more than one-half from 1992 through 2000, a higher rate than the other operating types.

Maintaining small, under-utilized and old balancing plants is costly, while building new, large-scale plants is also expensive, particularly for small cooperatives. On the other hand, for those that manufactured commodity products on a large scale, the limited flexibility of a narrow product line probably left them more vulnerable to inventory losses arising from the volatile milk prices of the 1990s than a more diversified product line would have. Accordingly, no new cooperatives were organized to focus solely on these types of operations, an indication of the commodity manufacturing cooperatives' declining profitability in the marketplace.

Many of the commodity manufacturing cooperatives that exited between 1992 and 2000 did so by merging with diversified cooperatives — cooperatives that own a system of plants to make a variety of products — both differentiated and commodity, while at the same time selling a large portion of their milk supply to other handlers and performing the requisite bargaining services. The consolidation of commodity man-

Table 1—What happened to the 84 cooperatives exiting between 1992 and 2000?

Action:	Number	Percent
Dissolved or out of operation	36	42.9
Merged into another dairy cooperative	36	42.9
Acquired by a non-cooperative dairy firm	8	9.5
Merged or refocused into non-dairy cooperative	4	4.8
Total, all dairy cooperative exits	84	100.0

Note: Totals may not add due to rounding.

ufacturing cooperatives with (or into) diversified cooperatives improved flexibility in product mix and efficiency from a more rationalized system of plants. Some plants were closed when they could not be utilized efficiently within the new system of plants. These plant closures alarmed some producers who formerly had their milk shipped to these local plants, even though their milk still had a marketing outlet with the cooperative.

Diversified cooperatives are the least numerous of the operating types — these 14 cooperatives represent just 6.6 percent of all U.S. dairy cooperatives in 2000. However, they account for over one-half of all milk handled by the nation's dairy cooperatives. Their shrinking numbers truly reflect

the fewer-but-larger co-op trend and represent increasing horizontal, as well as vertical, coordination. An indication of their vitality is that none of the exiting diversified cooperatives dissolved or went out of operation. Instead, all but one merged with another cooperative.

These cooperatives expanded (predominantly through mergers) in response to the changing market conditions. Indeed, by 2000, there were no diversified cooperatives that handled less than 50 million pounds of milk annually. Their large volumes, wide product mixes and geographical reach position them to be suppliers of choice to the large, national food companies. Moreover, some are sophisticated marketers of consumer products as well.

This vertical integration extends the dairy producer members' operations up the food chain, returning more of the marketing margins back to the farmer.

Taking an alternative approach, some cooperatives manufacture selected products on a smaller scale for a particular market niche—typically cheese. For this article, these “branded-cheese” cooperatives and the cooperatives that package fluid milk are grouped together. Both aim to



An AMPI truck makes a milk run in Wisconsin. The elimination of duplicate milk routes is a major cost-saving factor in some co-op mergers. Photo by Sheryl Doering Meshke, courtesy AMPI

Table 2—Origin of dairy cooperatives formed between 1992 and 2000

Source:	Number	Percent
Merger of existing cooperatives	6	18.7
New group of producers	26	81.3
Total, all new dairy cooperatives	32	100.0

move their members closer to the consumer. In fact, some of these dairy cooperatives market products made from member milk directly to consumers.

The specialty cheese cooperatives must compete with other cheesemakers on the basis of the quality and uniqueness of their product, as they lack the size and scale to compete on price with the large commodity cheesemakers. (Almost by definition, these specialty cheese-making cooperatives are predominately small, handling less than 50 million pounds of milk annually.) These smaller cooperatives must find and develop a niche for their specialty product. For those unable to do so, the market is unforgiving.

Stiff competition also faces fluid processing cooperatives. The mature, highly competitive fluid processing sector has faced perhaps the most consolidation by investor-owned firms

(IOF) and only a handful of dairy cooperatives continue to thrive in the fluid business. Yet one cooperative has been rather successful and grew to where it handled over 1 billion pounds of milk in 2000.

Regardless of the intense market competition, fluid and branded-cheese cooperatives are the second most common type of dairy cooperative in the United States and represent an ever-so-slightly larger share of total dairy cooperative numbers in 2000 compared to 1992. Thirty percent of the fluid and branded-cheese cooperatives were formed since 1992, a faster pace than for the other operating types. All of these newly formed branded-cheese and fluid processing cooperatives were small.

Dairy co-ops remain viable

Dairy cooperatives have taken diverse roads to address their specific

marketing needs, but each has its merits. Thus, the role of cooperatives in the dairy industry remains a dominant one as the 21st century begins.

Dairy cooperatives in the United States have demonstrated an ability to successfully adapt to changing market conditions. While the trend appears to be away from operating small balancing plants, others are finding opportunity in capturing niche markets on a small scale. Alternatively, some cooperatives have eliminated their unprofitable manufacturing operations and focus their attention on gaining power at the bargaining table and providing services to their members.

Finally, representing the majority of total cooperative milk volume, diversified cooperatives offer milk and dairy product buyers a full range of services while securing marketing margins and security for their members. Many of the high-volume hard product manufacturing cooperatives have been folded into the plant systems operated by the diverse cooperatives. Thus it seems dairy producers will continue to have a variety of cooperative avenues to meet their needs and preferences in marketing their milk. ■

Table 3—Distribution of dairy cooperatives, exits and entries 1992-2000, by type

Type of cooperative	1992	Exits	Percent	Entries	Percent	Type	Net change		2000
	No.	No.	% of '92	No.	% of '00	change ^{1/}	No.	% of '92	No.
Bargaining-only	179	48	-26.8	21	+13.4	+5	-22	-12.3	157
Commodity ^{2/} manufacturing	35	18	-51.4	0	+0.0	-2	-20	-57.1	15
Diversified	19	8	-42.1	3	+21.4	0	-5	-26.3	14
Fluid, branded -cheese ^{3/}	32	10	-31.3	8	+29.6	-3	-5	-15.6	27
Totals	265	84	-31.7	32	+15.0	0	-52	-19.6	213

^{1/} Cooperatives that remained in operation from 1992 through 2000 but changed the focus of their operations from one operating type to another.

^{2/} Includes bargaining-balancing cooperatives (cooperatives that operate plants to manufacture milk into commodity products to balance milk supplies) and hard product manufacturing cooperatives (cooperatives that operate manufacturing plants at high capacity making undifferentiated products such as butter, powder and cheese).

^{3/} Includes both cooperatives that primarily package fluid milk products and those cooperatives manufacturing "branded" cheese and other specialty products for niche markets.

Communications linked to loyalty

If you want your co-op messages heard, it's still a face-to-face, hard-copy world

By Dan Campbell, editor

Editor's note: *a more detailed report on the findings of Trechter's study will be included in an upcoming issue of "Rural Cooperatives."*

A well-informed cooperative member tends to be a more loyal member—but don't rely too heavily on e-mail or a Web site to keep members up-to-date on cooperative happenings. Cooperative employees and a hard copy of a co-op newsletter are still ranked by members as their preferred sources for cooperative news, according to results of a survey funded by USDA Cooperative Services. Electronic communications rated dead last in order of preference, says David Trechter, associate professor of agriculture economics at the University of Wisconsin-River Falls.



Ann Wylie led a workshop that helped co-op communicators explore new ways to tap their creativity. USDA Photos by Dan Campbell



Visual aid: Joe Huffine, marketing director for Tennessee Farmers Cooperative, got help gaining everyone's attention from his 18-month-old daughter, Madison. His humor-laced presentation made very serious points about the huge differences that exist between different generations of Americans, their wants and how they perceive the world. Co-op marketing and communications efforts must take these differences into account, he said.



Leta Mach of NCBA (right) works on an exercise with Jamie Gasper, a Michigan State University ag major and member of the Agricultural Communicators of Tomorrow during the CCA institute.

Presenting survey highlights at the Cooperative Communicators Association's annual institute in Florida, Trechter said the Upper Midwest study involved two surveys, one of co-op managers and the other of co-op members. The response from managers was low enough to cast doubt on that set of findings, but the 759 responses from members were a good,

statistically solid return rate, he said.

Members were asked to rank their level of commitment to their co-op, using a scale of 0-100. "A 100 means you would walk over hot coals for your co-op," Trechter said. "A zero means if your truck was running on fumes, and you were passing a CENEX filling station, you would probably hop out and push it to the next Standard station."

Those findings of loyalty were correlated to the communications preference of the members.

Trechter says he was surprised that "face time with co-op employees and managers ranked first and second on a list of 10 communications preferences. "So informal communications channels are still hugely important," he said.

A hard copy of a co-op newsletter rated third in popularity, followed by press coverage in local newspapers. Annual meetings ranked fifth as a source of co-op information. Only 15 percent of the members rated electronic communications as important or very important.

"That's not to say that electronic communications are not important, but it is a distinct minority of people who are living in an e-world, at least among the farm population in the Upper Midwest," Trechter said. "And I suspect it is much the same in the rest of the country."

Since co-op employees are viewed as such an important source of co-op information, internal communications that keep your staff well-informed are "hugely important," Trechter said.

Graham wins top CCA honor

Doug Graham, director of sponsor communications and administration for Nationwide Insurance, Columbus, Ohio, has been honored by the Cooperative Communicators Association with the Klinefelter Award, the association's top career service award. It is awarded annually to an individual who helps raise the standards of cooperative communications and who furthers the cooperative system and spirit.

Graham, a 20-year veteran of co-op communications and former CCA president, plans and produces all communication programs that promote Nationwide (a mutual, or member-owned, insurance company). He writes articles – on topics such as farm safety, real estate planning and protecting personal assets – for member publications. He also produces Nationwide videos.



Other top awards presented at CCA's annual communications institute in Orlando, Fla. included:

- Writer of the year – Richard Biever, Indiana Statewide Association of Rural Electric Cooperatives;
- Photographer of the year – David Lundquist, CHS Cooperatives;
- Publication of the year – Lani Jordan, CHS Cooperatives (for a CHS brochure);
- Special project of the year – Leta Mach, National Cooperative Business Association (for NCBA's Co-op 101 educational program).

"Power in Peril," the cover story of the March/April 2001 issue of "Rural Cooperatives" magazine, won a second place news-feature award. The article, written by regular contributor Catherine Merlo of Bakersfield, Calif., examined the impact of California's energy crisis on cooperatives and their members. ■

CCA: building better co-ops through communications

The Cooperative Communicators Association (CCA) is an organization of 350 communications professionals dedicated to the concept that a strong communications program helps build stronger, more effective co-ops. The membership includes communicators from the full spectrum of cooperatives: agricultural, rural utility, housing, credit and consumer.

Since its founding in 1953, CCA has been dedicated to improving the communications skills of its members and helping them more effectively spread the messages of their cooperatives. The focal point of CCA's activity is its annual communications institute, held in mid-to-late June each year. This year's conference was held in Orlando, Fla. The 2002 event will move to Burlington, Vt., June 22-25.

"There are a number of good professional associations for communications and public affairs specialists, but cooperatives face so many unique challenges that they need an organization like CCA that is dedicated to focusing on the issues facing cooperatives," says CCA President Heather Berry, a member of the editorial staff of "Rural Missouri," the publication of the Association of Missouri Electric Cooperatives.

For more information on CCA, visit the organization's website at www.Coop-Comm.com, or call (806) 795-2783. ■

Appeal of annual meetings

Annual meetings are best for "preaching to the choir," Trechter said. They appeal most to members who have served on the board or a co-op committee. The higher the level of education, the less important annual

meetings tend to be with members. So annual meetings tend to be good for communicating with committed members, while newsletters are more important for reaching less-committed members.

Among other noteworthy survey results:

- Commitment to a cooperative increased among members who had served on a co-op board or committee, or who had co-op training.
- Supply co-op members tended to be more loyal than marketing co-op members. (Trechter noted that 1997-99 were bad years for many commodity prices, which may have dampened co-op loyalty among marketing co-op members surveyed.)
- The smaller, more local and more homogenous a co-op's membership was, the more loyal the members tend to be.

Co-op members' preferred communications channels

(Ranking, with "1" being the highest rated source for co-op information, based on a University of Wisconsin survey of co-op members in Minnesota and Wisconsin.)

1. Communications with co-op employees
2. Communications with co-op manager
3. Co-op newsletter
4. Newspaper articles
5. Annual meeting
6. Communications with board members
7. Communications with other members
8. Member surveys
9. Focus groups
10. Electronic communications ■

• Co-ops that have not gone through a merger tend to have more loyal members. "Change is scary for many people and change does not necessarily build member commitment," Trechter said.

• The more a member has invested in his or her co-op, the stronger the member's loyalty to it. Financial performance of a co-op also has an impact: the more solvent a co-op is and the lower the co-op's debt to equity, the stronger the commitment of the membership.

• Members preferred co-ops that publish newsletters more frequently, feeling that the news is fresher and more up to date.

• Managers with long tenure at a co-op give greater credibility to the newsletter as a source of information. ■



David Trechter was surprised that "face time with co-op employees and managers" topped the list of co-op communications methods preferred by co-op members in the Upper Midwest.

Selling it!

Florida citrus industry boosts consumption with extensive, health-focused advertising & promotion

By Dan Campbell, editor

The Florida citrus industry has long been a food industry leader in promoting its juices and other products as key components in a healthy diet. These promotional and educational efforts have played a significant role in helping to boost the average per capita consumption of orange juice in the United States from 5.4 gallons per person in the mid-1990s, to six gallons at present. This rise in consumption has come despite higher consumer prices.

Eric Boomhower, marketing communications director for the Florida Department of Citrus (Florida Citrus), shared insight on the strategies used to keep consumers coming back for more Florida OJ.

In 1996, Florida Citrus launched what it termed its “triple crown campaign,” which helped spread the word about recent scientific research linking citrus products to good health. Florida Citrus worked closely with the American Cancer Society, the American Heart Association and the March of Dimes in creating a series of new television commercials and print ads that trumpet these findings.

“We had to deliver a serious message about disease prevention in a way that would not turn off consumers,” Boomhower said. “We did this through a series of television advertisements, including one of the most popular TV spots we ever produced.”

Boomhower showed clips of the commercials, in which the narrator says that “The American Cancer Society says a healthy diet, including Florida orange juice, can reduce the risk of some cancers.” Having a well-respected third party as the source for the health message lends much greater credibility to it, he noted.

In another TV ad from the campaign, the nar-

rator says: “The American Heart Association has certified that Florida grapefruit and orange juice are part of a heart-healthy diet.” The key message in another commercial is that: “The March of Dimes has found that the folic acid in orange juice can help prevent certain birth defects.”

This multi-million dollar advertising campaign was also supplemented by a series of three, 15- or 30-second public service announcements (PSAs) which stress the impact of diet on good health. Although a PSA “looks and feels like a TV commercial, they are different in several key ways,”

Look at all these hands! These babies were born that the March of Dimes recommends drinking 100% pure orange juice before and during pregnancy to help reduce the risk of neural tube defects. Up to 70% of all neural tube defects may be prevented just by having enough folic acid in your system during those first few weeks of pregnancy — before you know you're pregnant. What else, orange juice is the most commonly consumed source of folic acid among American women, and it provides other important vitamins and minerals you and your baby need. So don't, it make good sense to drink a big glass or two of 100% pure Florida orange juice every day throughout your childbearing years! Okay, now that we all agree, you can put your hands down.

ARE YOU DRINKING ENOUGH?

IF YOU THINK WOMEN SHOULD DRINK FLORIDA ORANGE JUICE DURING CHILDBEARING YEARS, PLEASE RAISE YOUR HAND.

March of Dimes
WalkAmerica
www.marchofdimes.org

The Florida Department of Citrus teamed with the March of Dimes to produce this ad campaign.



Print ads such as this and TV commercials drive home the good health messages about orange juice.

While many of the airings for PSAs occur “in the wee hours of the night” or early morning, Boomhower said they have also received prime-time airings. This campaign also has involved consumer brochures and the side panels of orange juice and milk cartons, which Boomhower said are “like mini billboards in the store and on your table.”

Be ready to pounce on good news

When the scientific community produces a report that is favorable to your product, be ready to pounce.

Florida Citrus was aware that a 1999 Harvard University study found that drinking a glass of grapefruit or orange juice daily can reduce the risk stroke by 25 percent. So the same day the study results were announced in the *Journal of the American Medical Association*, Florida Citrus launched an integrated media campaign, starting with a TV commercial produced in partnership with the American Heart Association. The next day, print ads began appearing in major newspapers; a week later, print ads were appearing in national magazines.

Florida Citrus also did a major “PR blitz,” sending out print and video news releases that trumpeted the Harvard study findings to media in all major markets.

“This generated some big time TV placements for us,” Boomhower said.

Coverage of the story was carried on the Today Show, CNN News, Fox News and other major news programs.

Boomhower traveled to New York with one of the scientists who did the research. They met with the editorial staffs of a number of major health and lifestyle magazines, including “Family Circle” and “Women’s Day,” to talk about the role citrus juice can play in reducing stroke.

This PR effort generated more than 400 broadcast airings, with an estimated audience of 125 million. This helped drive a 21 percent increase in consumer recognition of the stroke reduction benefits of orange juice.

Another way to promote your story with the media is through a “satellite media tour.” Florida Citrus used this strategy when a University of Florida study showed the benefits of citrus juice in the diet. “For a satellite tour, your rent studio time and the media comes to you,” Boomhower said. “This is a neat, low-cost way to take your message out into the heart of the market,” Boomhower said.

Boomhower said. Any commercial message in a PSA must be very subtle, with the weight of the message promoting some public good, such as disease prevention.

Florida Citrus secured the services of three, health-conscious celebrities who donated their services for the campaign: super-model Cheryl Tiegs, actress Lauren Bacall and tennis ace Pete Sampras. In each PSA, these celebrity spokesmen stress the need for a healthy diet as a way to help reduce your odds of falling victim to cancer. In two of the spots, the only link to orange juice is a visual product placement.

Cost for production and distribution per PSA was about \$100,000. “It would cost more than that just for one 30-second commercial during prime time,” Boomhower noted. The American Cancer Society has also helped distribute the PSAs through its own channels. Health organizations quoted in the TV ads and PSAs are asked by Florida Citrus to review and approve them before they are aired.

Event sponsorship

Event sponsorship can also be used to publicize your product. Florida Citrus did this recently by sponsoring a cross-country bike ride by Bob Green, talk show hostess Oprah Winfrey's personal fitness trainer. During media interviews as he pedaled his way across the nation, Green would tout the importance of a good diet – including orange juice – on health.

The sponsors reaped an unexpected media bonanza when Green was pedaling into Chicago for an appearance on

the Oprah show. At one point in their conversation, Oprah exclaimed "I love Florida orange juice!" Boomhower said that hiring Oprah as a spokesperson would be beyond his budget, but they still got a lucky endorsement by working with Green.

"She said it spontaneously – we had no part in it," Boomhower stressed. "We think we got a pretty big bang for our buck with this effort." Total cost was \$300,000.

Teenagers and children present spe-

cial communications challenges because they care little about health messages, Boomhower said. So Florida citrus created a TV ad aimed at the young which promotes the energy-enhancing aspects of OJ, with the slogan: "Florida orange juice for energy – are you drinking enough?"

Boomhower said he must strive to show a balance of different Florida juice brands in print and broadcast ads. "We have to walk a fine line to make sure we don't promote one brand more than another." ■

Better eating through biotechnology?

Tips shared for communicating about biotech food issues

Cooperatives and others in the food industry caught-up in the debate over food bio-technology—an "emotional and controversial" issue for some—need to develop a careful communications strategy based on solid science, says Cheryl Toner, associate director for health communications for the International Food Information Council (IFIC).

"Be sensitive to the words you use and how they can impact your message," Toner said. For example, the public tends to react negatively to the words "genetically engineered or genetically modified," she said. However, describing the process as "food or agricultural biotechnology" elicits a more positive or neutral response from consumers. "When people hear the phrase 'bioengineering,' they think of food that has gone directly from the petri dish to their dinner plate, and that such food is just not natural," Toner said.

"We must make the public understand that seeds are modified and planted in the ground by farmers, then grown and harvested just like other crops. It's still agriculture."

It is also a good idea to remind consumers that oversight of our food is provided by multiple, reliable government agencies, including USDA, FDA and EPA, Toner said.

"The ultimate issue in the minds of most consumers is: What does this mean for me at my dinner table?"

Stress the benefits

It is important for co-ops that use biotechnology to explain the purpose and benefits of this new food

technology, Toner said. "You can explain that biotech is an evolution of traditional agricultural practice, which has gone from using yeast in brewing and bread making, to advanced plant-breeding techniques to today's biotechnology, which uses tools of genetics to add or extract select genes to achieve desired traits in plants.

"Keep the emphasis on the farmer's role," Toner stressed. She also urged communicators to cite specific examples of the benefits and goals of food biotechnology, such as:

- cooking oils that contain less saturated fats;
- safer animal feeds;
- better tasting, fresher foods;
- foods with enhanced nutrients;
- crops grown with less impact on the land due to reduced use of pesticides and more flexible weed controls;
- improved water quality protection and soil conservation.

While claims of absolute safety can never be made, food industry representatives can communicate accurate, up-to-date scientific information that emphasizes the years of exhaustive research that have gone in to developing biotechnology.

She noted that this technology can be a valuable tool in the effort to fight global hunger. ■



This brochure on food biotechnology is available from the International Food Information Council. For a copy, e-mail toner@ific.org, or fax (202) 296-6547



LOL buys Purina Mills, expands feed business

North America's largest farmer-owned animal feed business will grow substantially with the planned purchase by Minnesota-based Land O' Lakes (LOL) of Purina Mills, based in St. Louis. The \$230 million price represents \$23 per share in cash for 10 million shares of common stock. LOL also agreed to assume the firm's \$130 million debt load. Manufacturing, transportation and purchasing functions will be combined.

Purina Mills, the nation's third largest livestock feed manufacturer, had sales of \$839.8 million last year. It will continue to operate as a separate company out of St. Louis with its own sales and marketing team, product lines, brand, nationwide dealer network and 2,300 employees. The firm also retains its nationwide red-and-white checkerboard logo which has appeared on the company's feed sacks since the early 1900s. Included in the deal was Purina Mills' research and development center at Gray Summit, Mo.

The cooperative's portfolio of dairy cow, swine and poultry feeds will be expanded to include horse feed, for which Purina is a major distributor. LOL will blend Purina's 42 mills with the 70 from its joint feed venture with Kansas City-based Farmland Industries. When it was formed last September, LOL Farmland, LLC, became the largest animal feed company in North America. It expects to post sales of \$1.8 billion from its first year of operation. Last year, LOL achieved sales of nearly \$6 billion and margins of \$103 million.

Among the benefits of the purchase,

said LOL President Jack Gherty, will be increased efficiency in production, distribution and purchasing. It brings together two well-recognized brands in different product categories. "We are building the economies of scale and critical mass necessary to compete nationally in the consolidating feed industry. The transaction has positive implications for the long-term success of our farmer-owned feed system," he said. "It will unite two strong brands, as well as complimentary geography and product lines."

Purina Mills includes Ralston Purina's U.S. livestock feed business. The rest of Ralston Purina was purchased earlier this year by Geneva-based Nestle SA for \$11 billion. Ralston Purina still distributes Purina Chow dog and cat foods.

Bekkers new Gold Kist CEO

The board of directors of Atlanta-based Gold Kist, Inc., the nation's largest farmer-owned chicken processor,



John Bekkers

has named John Bekkers as its new president and chief executive officer following the retirement of Gaylord Coan, its previous executive and chairman who had a 46-year career with the cooperative.

Bekkers' Gold Kist career spans 16 years. He had been president and chief

operating officer since 1995. He is the immediate past chairman of the National Chicken Council, a director of Farm Credit Leasing of Minneapolis, and member of the advisory board of Robobank in Holland. Gold Kist had been one of his clients while he earlier served as a management consultant.

Trio of dairy co-ops ends LOL merger study

The 1,600 members of Maryland & Virginia Milk Producers Cooperative at Laurel, Md., plus those of dairy cooperatives in Arkansas and Texas have decided to end merger talks with Land O'Lakes (LOL). Maryland and Virginia co-op general manager Robert Shore said "a significant level of member concern" has been expressed regarding the proposed merger. However, he said the cooperatives would explore other ways of working together.

"Member response to the merger proposal at 14 information meetings varied from "strong support to strong opposition," Shore said. But the opposition was strong enough that the cooperatives decided to cancel the study. If approved, the three co-ops would have been placed in an Eastern fluid milk marketing division, along with LOL's earlier holdings from a merger in the Philadelphia area.

The other co-ops involved are Arkansas Dairy Cooperatives Association at Damascus and Lone Star Milk Producers, Inc., at Windhorst, Texas.

"We are exploring other ways to strengthen marketing alliances with our Advantage partners," Shore said. "Though this (merger) proposal will not continue to be developed, the

board and management will do its best in maximizing income, market stability and service for all members.”

Catfish cooperative opens in Kentucky

Kentucky legislators were treated to fried catfish during a dedication of the state's first cooperative catfish processing plant this summer. It will take two years for the plant to reach its production peak, employing 15 to 20 people to process a million pounds a year of the protein-fed channel catfish. Kentucky Agriculture Commissioner Billy Ray Smith has cited “value adding” specialty crops such as catfish as a way to breathe new life into the state's farming economy. Kentucky farmers are seeking alternate enterprises to replace plummeting grain prices and the decline of tobacco. Smith said clay soil and ample groundwater available in the state were suited to catfish raised in farm ponds. Western Kentucky farmers have dominated applications for \$4 million in state cost-sharing funds to help people get started in aquaculture.

Ohio State honors Ron Long

Ron Long, vice president for sire procurement for Select Sires Inc., Plain City, Ohio, has been inducted into Ohio State University's Dairy Science Hall of Service. Long has been a dairy leader on state, national and international levels for more than 40 years. Dairy producers throughout the world have benefitted from Select Mating Service, a cattle mating program pioneered by Long that has grown to include more than 50 professionals who make more than 2 million matings annually. Long had also been president of the National Shrine Club.

Universal buys Triton Tire

Triton Tire and Battery at Eagan, Minn., has come under full ownership of Universal Cooperatives. It had been a joint venture since 1997 with CHS Cooperatives and Farmland Industries. Universal had been a managing partner of the venture since 1998 and had provided purchasing, warehousing and distribution services.

Online procurement pilot saves money for Roanoke EC

Roanoke Electric Cooperative at Rich Square, N.C., recently saved its members an estimated \$200,000 by using a web-based application that facilitates online procurement of construction work plan contractors. The rural electric cooperative (REC) used the online bidding process to select a contractor to provide labor for this year's construction under its four-year plan. The overall process, including the use of online web-based systems, is consistent with the Rural Utilities Service (RUS) regulation governing procurement. An exception is a feature that allows competitors to view the low bid and change bids during the solicitation period.

Bidders dropped their quotes by more than \$206,000 (\$620,152 to \$413,829) during the process. The cooperative expects to save 30 percent over its anticipated cost for the project. “The process creates a truly competitive environment, while bringing about an extremely efficient process,” said Curtis Wynn, the cooperative's chief executive officer. “We are extremely satisfied with the savings we are seeing by using the system.

Although its regulations do not specifically authorize online procurement, RUS gave Roanoke's pilot project a waiver because RUS was satisfied with how the bidding process was handled.

The agency has indicated it will consider requests from other borrowers who wish to try this type of procedure. Roanoke REC found that most bids were posted in the last |two hours.

Birds Eye launches branded retail fresh vegetable line

Agrilink Foods, the fully owned subsidiary of Pro Fac Cooperative at Rochester, N.Y., will soon debut across the country with a line of branded fresh vegetables under its popular Birds Eye brand. The product line is expected to add millions to the company's bottom line.

Donna Rippin, Agrilink's business director, business development, said it wanted to “make sure we had a consumer viable proposition in the test markets. Our plan was based on the Birds Eye brand being sold at a premium... The products (a 15-pound bag of russet potatoes) sold at a premium and actually out-sold the competition in double-digit dollars.”

The competition, she said, includes key players in the fresh produce market. But transferring a brand's equity into a new and different class of foods is not a simple task. “Commodities are price driven and brands haven't successfully infiltrated the territory yet.” One of the biggest risks is the potential to affect other branded products, she said.

“With fresh produce, for example, damaged or poor-quality product is readily visible. Consumers can see, feel, touch and smell the product. Any negative experience could affect their perception of other products carrying the brand name.”

Meanwhile, Agrilink has received a \$500,000 grant from several sources including the State of New York for use on a \$1.2 million project to move vegetable and frozen fruit lines from a recently closed Agri-Frozen facility in Washburn, Ore., to Fulton, N.Y., and add 50 new jobs at Fulton. The fruit line will added 600,000 cases to the facility's incremental volume.



This 15-pound bag of Russet potatoes will bear Agrilink's "Birds Eye" brand. Photo courtesy Agrilink

Supreme Court ruling clouds commodity marketing promotion

A U.S. Supreme Court decision in a case dealing with a nationwide generic advertising program promoting fresh mushrooms puts in question a dozen generic product marketing programs with a combined budget of about \$500 million to promote fruits, vegetables, meats and dairy products.

In a 6-3 vote, the justices sided with those who opposed the mandatory checkoff programs supported by a majority of producers of particular commodities. The court said that growers can't be forced to pay for these government-sponsored advertising programs. The court majority agreed with dissidents who have long complained that the forced funding of generic advertising violates their First Amendment free speech rights. The suit was pursued by a Tennessee company that grows fresh mushrooms. Under a 1990 law, Congress authorized an industry board to collect a one-cent-per-pound fee.

Attorney Kendall Manock, representing several farm industry boards that support the checkoffs, said the programs are involved in promoting trade and opening markets in China and Mexico, not just sponsoring advertisements. A purely voluntary program wouldn't survive because of free riders, he said.

Aside from federal programs, California has 51 cooperative ad programs that will spend \$140 million this fiscal year on marketing. The largest promotions are for cheese, milk and table grapes followed by those for raisins, beef, wheat, kiwi, citrus fruits, cut flowers and strawberries. These, too, are subject to a free-speech challenge from growers who object to the assessments.

Farmland cuts long-term debt, but still has quarterly loss

The nation's largest agricultural cooperative made substantial strides in stemming the continuing flow of red ink and cut \$200 million from its long-term debt, lowering it to \$280 million by the end of the third quarter of its current fiscal year. Farmland Industries of Kansas City reported a \$42.4 million

quarterly loss despite sales of \$3.2 billion, up from \$3 billion for the same quarter last year. The loss figure included one-time costs, restructuring and tax considerations.

Bob Honse, Farmland's chief executive officer, said the restructuring costs covered several transactions including closing two Farmland meat plants in Iowa and a wheat gluten plant at Russell, Kan. Excluding those, Farmland had a \$27.1 million gain on \$9.1 billion sales for the nine months vs. a \$64 million loss on \$8.8 billion sales for the same period last year. While some gains came from higher petroleum sales, \$30 million was derived from reduced operating and administrative costs at Farmland, Honse said.

The cooperative recently leased its domestic grain handling business to Archer Daniels Midland, earlier shuffled its feed business into a joint venture with Land O'Lakes, and plans to sell its petroleum refinery at Coffeyville, Kan., and close its pork processing plant at Topeka, Kan., next year. Purchased in 1996, the pork facility fell victim to changing retail attitudes. The 190 employees and 40 million pounds of production will be absorbed elsewhere in the Farmland system.

Meanwhile, Farmland Beef, a joint venture between Farmland Industries and U.S. Premium Beef, has opened two case-ready plants (pre-packaged cuts of beef and pork sent directly from the processor to the retail shelf and eliminating the grocery store butcher). A third plant will open next spring in the Kansas City area and employ 200 workers. The cooperative said it was making the transitions in its pork processing plants to improve efficiencies, grow its market share and expand the Farmland brand. Sales for Farmland's refrigerated foods group are up \$175 million to \$3.4 billion for the first three quarters from the same period last year.

In a subsequent move to reduce the number of enterprises in which it is involved, Farmland has announced plans to sell its entire 40+ percent share of stock in two Heartland Grain Fuels LP ethanol-producing plants in South

Dakota to its partner. Bill Paulsen, Heartland manager, didn't rule out the possibility of non-farmers buying shares, but South Dakota Wheat Growers will continue to have controlling interest in Heartland, which produces 22 million gallons of ethanol a year at plants in Huron and Aberdeen. Details on how to purchase shares will be available later this year. Earlier this year, Williams Bio-Energy, Tulsa, Okla., a unit of Williams Companies, purchased a 5-percent interest in the operations and agreed to market and distribute the ethanol. The joint venture began in 1993. The Huron plant opened in 2000.

Ottawa Co-op gains in sale of bankrupt FCA in Kansas

A U. S. bankruptcy court judge has approved the sale of properties owned by Farmers Cooperative Association (FCA) of Lawrence, Kan., to a group of investors headed by Overland Park attorney Robert Laing for nearly \$3.2 million. The sale of grain elevators, fertilizer plants and other properties to Laing's group had been recommended by the cooperative's board of directors. The purchase did not include the grain inventory. FCA has liabilities of \$20 million, including \$10 million owed to CoBank. FCA sought Chapter 11 bankruptcy protection last September. It was the largest local cooperative in Kansas.

Laing has since sold seven elevators to Ottawa (Kan.) Co-op, which will triple its grain handling capacity, double its sales and require 10 more employees. The entire group of elevators will be connected by a computerized network which will track all transactions, scale weights and loads. Experienced branch managers will operate the elevators.

AGP sells CN Feed to ADM, buys Canadian operations

Omaha-based Ag Processing Inc. (AGP) has sold its U.S. half of Consolidated Nutrition (CN) feed venture to its partner, Archer Daniels Midland (ADM), and in turn acquired ADM's half of CN's Canadian operation and the "Master Feeds" brand. The joint

Energy prices spark interest in ethanol co-ops

Given continuing high energy prices and the search for alternate fuels, agricultural producers are continuing to form and operate cooperative ethanol plants that primarily use corn as their feedstock, although others are using government surplus sugar or studying use of agricultural waste products.

With an eye toward increasing ethanol production, the U.S. Department of Agriculture will provide up to \$150 million in subsidies in 2001 and another \$150 million in incentive payments for 2002 for its bioenergy program. It provides higher payments to small processors and cooperatives to encourage expansion of domestic bioenergy production capacity. More than 5 percent of the nation's corn production (567 million bushels) is used for production of biofuels and more than 50 ethanol plants are operating in 20 states.

Last fall, USDA announced a two-year program to subsidize companies – including cooperatives – that buy crops, principally corn and soybeans, for use in production of bioenergy products such as ethanol or biodiesel. Payments are capped at \$7.5 million per company and range from 29

percent to 40 percent of the cost of the crops, depending upon the size of the company. Ethanol production is currently subsidized by a 5.4-cent-per-gallon federal excise tax break and consumes about 600 million bushels of the annual U.S. crop of more than 9 billion bushels of corn.

Meanwhile, the Environmental Protection Agency (EPA) has denied California's request to waive the federal oxygen content for reformulated gasoline. This is expected to sharply expand the demand for ethanol in the state. While most Midwest ethanol plants use corn, Californians can also use orchard clippings, wood chips from lumber mills, whey from cheese factories and lawn clippings from urban areas. The state has the potential to produce 200 million gallons of ethanol.

Here is a sampling of pending cooperative ethanol projects:

■ The **Rice Straw Cooperative** at Gridley, Calif., has been formed to convert straw stalks left from the rice harvest to ethanol. The \$100 million refinery near Sacramento would open in 2003.

■ **Maryland** grain growers are exploring a barley-based ethanol facility. The state has a corn deficit because so much of it is consumed by its giant poultry industry. The plant would produce between 15 million and 25 million gallons of ethanol a year and cost

between \$30 million and \$50 million.

■ Iowa's Des Moines County supervisors have earmarked \$10,000 for a study on a new ethanol plant operated by **Big River Resources**. The cooperative hopes to raise \$100,000 for a feasibility study and organizing effort aimed at developing a 15-million bushel plant with an annual payroll of \$30,000 to \$40,000.

■ At a more advanced stage, **Quad County Corn Processors' Cooperative**, Galva, Iowa, has been approved by USDA for a \$12.5 million loan guarantee for construction of an 18-million-gallon-a-year ethanol plant.

The 416 members have raised \$8.5 million in equity capital for the plant that will use 6.8 million bushels of corn per year.

■ About 80 farmers have formed **Iroquois Bio-Energy Cooperative** in northwest Indiana with plans to develop a \$60 million ethanol plant that would produce 40 million gallons a year and use 14 million bushels of corn from more than 400 farmers.

■ **Midwest Grain Processors Cooperative** will open a new, 45-million-gallon ethanol plant next fall at Lakota, Iowa. The co-op's 998 members raised \$16 million in

start-up capital. Some 80 percent of Kossuth County voters passed a referendum to issue \$5 million in bonds to help build the plant. The co-op hopes the plant will generate \$70 million in annual revenue and create 30 jobs.

■ Near Minden, Neb., **Kearney Area Ag Producers Alliance** is seeking to raise \$18 million to finance an ethanol plant to produce 30 million gallons a year. Cattle feeders are being invited to invest \$12,000 plus 8,000 bushels of corn (2,000 quarterly), agree to purchase 600 tons of distillers' grain annually and pay a \$200 membership fee. The plant would require 12 million bushels of corn annually.

■ Construction is underway at Big Stone City near Sioux Falls, S.D., for the **Northern Growers Cooperative** ethanol plant that will produce 40 million gallons a year. When the \$45 million plant is completed next year, it will employ 35 people.

■ **Agra Resources Cooperative** near Albert Lea, Minn., is tripling its capacity at a cost of \$18 million to about 45 million gallons of ethanol annually

■ **Tall Corn Ethanol Cooperative** at Coon Rapids, Iowa, plans to open its plant next August and produce 40 million gallons of the fuel. The state has seven ethanol plants with two under construction and eight more proposed, according to the Iowa Corn Growers Association.

—Patrick Duffey



Corn, soybeans and other feedstocks are being used to fuel new bioenergy plants. USDA photo by Ken Hammond



Prompted by special freight rates for elevators that can load 110-car trains in 15 hours, high-speed grain loading stations, including this one near Moccasin on the Burlington Northern Santa Fe mainline, are being built in Montana. Several are being built by CHS Cooperatives and joint venture partners to enhance export grain delivery to the West Coast. Mountain View Co-op's new \$6 million elevator near Collins is scheduled to open this November, in time for the fall grain shipping season. (Photo courtesy CHS)

venture had been operating since 1994.

The transaction will allow AGP to focus its resources on food and industrial products such as soy-based diesel fuel, solvents and additives that enhance chemical performance, according to spokesman Mike Maranell. AGP is the world's largest cooperative soybean processor and a major processor of vegetable oils.

Calcot cotton farmers may face repayment of earlier advances

Cotton producer-members of Calcot Ltd., a cotton-marketing cooperative based at Bakersfield, Calif., may be forced to return some of the cash advances it received from Calcot. Growers have had to return advances to Calcot only once previously in its 45 years. Calcot will make a final settlement in September for last year's harvest. Last fall, cotton farmers were advanced cash based on futures prices.

PCP buys \$9 million plant to suit tomato growers

Seeing an opportunity to expand tomato operations, grower-owned cooperative Pacific Coast Producers (PCP), Lodi, Calif., is purchasing the Del Monte processing plant at Wood-

land, Calif., for \$9 million. The 41-acre site includes the plant, three warehouses and a processing area. The plant had been closed after the 2000 season.

PCP will process 350,000 tons of tomatoes at its Lodi cannery and next year will process 525,00 tons at Woodland. Ninety-five percent of PCP's tomato growers live within 20 miles of Woodland. The cooperative expects freight savings of about \$3.5 million annually and will spend another \$18 million for new equipment and updated facilities. The breakup of Tri Valley Growers and its tomato processing business left a vacancy in the state.

Rocky Mountain Sugar Co-op pays \$48 million for plants

Sugar beet growers in four western states, who formed a Rocky Mountain Sugar Growers Cooperative a year ago, have purchased Western Sugar Co. from Tate & Lyle, the giant British sugar processor, for \$48 million. The cooperative gains processing plants at Billings and Lovell, Wyo.; Fort Morgan and Greeley, Colo., and Scottsbluff, Neb. Corporate offices were in Denver.

Last year, Tate & Lyle had offered to sell Western Sugar to its 1,100 sug-

ar growers for \$78 million, or about half its estimated liquidation value. Growers planted 130,000 acres this spring. Growers will receive a letter from the cooperative which outlines details of the purchase, includes a closing balance sheet and information on interest rates for loan financing. A mechanism provides for growers who did not commit acres this year to buy into the plant.

Dakota Beef Co-op buys Nebraska meatpacker

Dakota Beef Cooperative at Bismark, N.D., plans to buy a 60 percent interest in Elkhorn Valley Packing Company at Dodge, Neb., over the next five years but continue pursuing a goal of building a future plant in the Dakotas. Cooperative organizers will need a minimum of 40,000 cattle a year. A membership drive is planned. Elkhorn, which also has a slaughterhouse in Wellington, Kan., markets beef in the United States and other countries on both retail and wholesale levels. Most of the firm's cattle come from Kansas and Nebraska. Dakota Beef grew out of the failed Northern Plains Premium Beef, which sought to build a slaughterhouse in western South Dakota but was caught in a poor ranch economy in the 1990s.

Ramey Co-op joins AMPI

The 150 members of Minnesota-based Ramey Farmers Cooperative Creamery have voted to merge and market their milk with Associated Milk Producers Inc. (AMPI) of New Ulm, Minn. Ramey members marketed 140 million pounds a year to Glencoe Butter and Produce Association, also now a part of AMPI. The Ramey cooperative, formed in 1913, will continue providing farm production supplies to its members.

Texans form rice co-op

About 27 Texas rice growers have voted to form a new cooperative. It hopes to handle members' rice from the drier to the grocery shelf. The new board of directors has been canvassing

other rice growers with an eye toward increasing membership. Minimum commitment was set at 1.2 million hundredweights of rice and a maximum of 2.5 million hundredweights. The cooperative will seek to gain value-added profit for its currently low-priced long-grain rice.

German co-op banks merge

Germany's two rival cooperative banks have merged to become the largest cooperative bank and sixth largest bank in that nation in terms of assets. DG and DZ banks will each own 50 percent of the new firm operating under the DZ banner. It provides refinancing to agriculture which has been suffering from crises including outbreaks of mad cow disease. The company will serve as the central clearing bank for about 1,500 local cooperatives.

Illinois fund boosts co-ops

Illinois has allocated \$3 million in its fiscal 2002 agricultural budget for use by producers developing value-added cooperatives. The fund can pay for up to 75 percent of the cost of technical assistance, including feasibility studies. State Farm Bureau President Ron Warfield said AgriFIRST program funds for these projects "will greatly enhance the ability of Illinois farmers to capitalize on new ways to capture a bigger share of the consumer food dollar."

Indiana's Ag Plus Forms

Capping discussions for the past two years, two Indiana grain marketing and agronomy service cooperatives near Fort Wayne, Ind., have merged to form Ag Plus Inc. Being blended are Farmers Elevator Co. of South Whitley and Allen County Co-op at Woodburn. Jeff Mize, manager of Farmers Elevator, will manage the new entity, which combines more than 1,700 members and about 80 employees.

Undaunted by low prices, Ocean Spray eyes turnaround

Ocean Spray's cranberry-grower members are sticking with their coop-

erative as it pursues new marketings despite low prices that management says could extend another 2 to 5 years. The cooperative, which had sales of \$1.36 billion last year, represents about 900 growers, mostly in Massachusetts, New Jersey and Wisconsin.

Earlier this year, members voted by a 2-to-1 margin to back a turnaround plan and not sell the cooperative, the biggest player in the cranberry business. Any sale would require support from a 75 percent majority of the cooperative's shares. Ocean Spray is pinning its hopes on effective marketing and is spending half of its \$30 million advertising budget next year to promote a new white cranberry juice product. The cooperative also is pursuing its new market in China.

Sugar beet growers seek help buying Holly plant

The Washakie Beet Growers Association in Wyoming supplying the Holly Sugar Factory at Worland is planning to sign a one-year lease of the factory from its bankrupt owner, Imperial Sugar, to allow more time for purchase negotiations. President Dick McKamey said the factory needs about 20,000 acres of sugar beets to stay afloat. Holly also operates a refinery and seed research laboratory in Wyoming.

Tillamook opens cheese plant

Columbia River Processing Inc., a wholly owned subsidiary of Tillamook County Creamery Association (TCCA) at Boardman, Ore., has begun operating a new cheese plant capable of producing 58 million pounds of cheese a year using 1.6 million pounds of milk per day. Its cold storage facility can handle 30 days of cheese production. The cheese will be trucked to TCCA's flagship plant in Tillamook for extended aging, storage, packaging and distribution. Whey will be condensed through a reverse osmosis system and shipped to a plant operated by a neighboring cooperative for further processing.

Pork America buys Iowa packing plant

Pork America Inc. has purchased the former Ace hog slaughter and processing plant at Estherville, Iowa. The cooperative facility was expected to begin operating this summer. It would initially process about 100 head per day and operate with 12 employees. In time, production is scheduled to increase to 600 head per day which would require about 40 employees.

CHS ends incentive program, returns \$14 million invested

An innovative five-year experiment aimed at raising farm income from its processing business for members of CHS Cooperatives has been shelved by the Minnesota-based cooperative. CHS plans to return \$14 million to the 855 farmers who invested. The program sold shares in the new businesses known as Equity Partnership Units. Investing farmers could expect greater returns from profits of those businesses that processed their grains or oilseed crops. However, CHS still believes there is merit in the idea that is fashioned after popular new-generation cooperatives operating in the Upper Midwest. President John Johnson said the program was doomed because a depressed flour milling market limited earnings. Meanwhile, the cooperative will continue to explore ways for members to invest directly in value-added businesses.

Golden Gem Growers Shuts Lake Garfield Packing House

Citing a flat market for its specialty oranges for the past several years plus competition from other tropical fruits, Golden Gem Growers has shut its packing house at Lake Garfield, Fla. This and its larger house at Umatilla have been operating below capacity. Fresh fruit activities will be concentrated at Umatilla which has a capacity for about 600,000 cartons. Golden Gem's juice fruit will be processed at a plant at Lake Wales which has a long-term contract with a Brazilian citrus cooperative.

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