

Rural COOPERATIVES

USDA / Rural Development

September/October 2009

Defending
Their
Turf:
Ryegrass
Growers
Bargain
for Fair
Prices

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Commentary

Rural America Runs on Co-ops



By Dallas Tonsager, Under Secretary
USDA Rural Development

The debate over healthcare reform has resulted in a great deal of renewed interest about the cooperative model of business in the United States. Regardless of whether co-ops ultimately have a major role to play in the healthcare plan Congress adopts, the increased attention to this infinitely flexible business model is welcome by those of us who promote the creation and expansion of cooperatives — especially as we celebrate Co-op Month in October.

But some information about co-ops contained in press reports and blogs of late should be corrected. Probably the biggest misunderstanding is that co-ops are “quasi-governmental” entities. They certainly are not.

Co-ops are a manifestation of all that is best about our free enterprise system and democracy. Simply put, co-ops give marketplace clout to people who on their own would wield little power. In the cases of farmers, ranchers and fishermen, co-ops are the business vehicle which helps them gain the leverage they need to earn fair prices for their products in markets dominated by ever fewer, larger buyers.

Co-ops not only help agricultural producers to market their products, but to develop brand names and build facilities that do value-added processing, thereby greatly increasing the returns on their products. Land O’ Lakes butter, Ocean Spray cranberries, Blue Diamond almonds and Cabot cheeses are just a few examples of the hundreds of well-known co-op-produced foods in your local grocery store.

Farm supply co-ops also enable agricultural producers to do bulk purchasing of the fertilizers and petroleum products they run their farms on.

We are not talking small potatoes here. Agricultural cooperatives, which range in size from small country grain elevators to Fortune 500 companies, set a new gross sales record of \$191.9 billion in 2008, \$45 billion more than in 2007. The total would have been even higher had it not been for a sharp drop in grain, milk and fuel prices toward the end of the year. Net income before taxes also set a new record of \$4.8 billion, \$1 billion more than in 2007.

But farmer co-ops are only one sector of the co-op

economy. Utility co-ops, credit unions, food store co-ops, building supply co-ops and dozens of other types of co-ops all play a huge role in the economy. USDA recently helped fund the first ever cross-sector analysis of all types of co-ops in the United States. The study (conducted by the University of Wisconsin Center for Co-ops and USDA Cooperative Programs) found that the total economic impact of co-ops in this nation is \$653 billion and that co-ops pay the wages of 853,000 workers.

Electric and telecommunications co-ops helped bring these vital services to rural America, and continue today to make sure the lights stay on. Many utility co-ops are now making major investments in renewable energy — such as wind and solar power — and to expand the broadband service so critical to the future of rural America.

USDA Rural Development, through its Rural Utilities Service, provides low-interest loans to these rural co-op utilities, which helps to partially offset the much higher costs involved in providing service in sparsely populated areas compared to densely populated cities. That hardly makes them quasi-governmental entities. With any co-op — be it a rural utility or farmer co-op, a credit union or housing co-op — the ultimate power rests in the hands of the producers and users. They elect the board members, and can replace them if they don’t like the way the business is heading. Co-ops are democracy in action.

Although there are dozens of different types of co-ops operating in the United States, they all are based on the philosophy of being operated solely for the benefit of the member-owners of the business who use its services, not to outside investors living in distant cities.

As Benjamin Franklin said at the signing of the Declaration of Independence: “We must all hang together, or assuredly we shall all hang separately.” Co-ops provide a business vehicle that allows Americans to hang together. (Franklin, by the way, knew this well, since he started what may have been the first co-op in America, which provided fire insurance.)

So let’s all dedicate ourselves this Co-op Month to taking advantage of this unexpected windfall of publicity about co-ops — even if it hasn’t always been accurate — by redoubling our efforts to promote co-op education. ■

Features

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Grass seed growers in Oregon use a bargaining co-op to improve their odds of getting a fair price for their crop. Producers of many other crops, ranging from blackberries to potatoes, also rely on bargaining co-ops to gain market power. See page 6. Copyright photo by Monica Johnson



Cooperatives set sales, income records

Editor's note: Information for this article was compiled by the Cooperative Programs statistics staff of USDA Rural Development: Katherine C. DeVille, Jacqueline E. Penn and E. Eldon Eversull.



Farmer, rancher and fishery cooperatives set a new gross sales record of \$191.9 billion in 2008, due primarily to higher commodity prices and continued high energy prices. Gross business volume soared by \$45 billion to eclipse the previous record of \$147 billion set in 2007, and would have been even higher had it not been for a sharp drop in grain, milk and fuel prices toward the

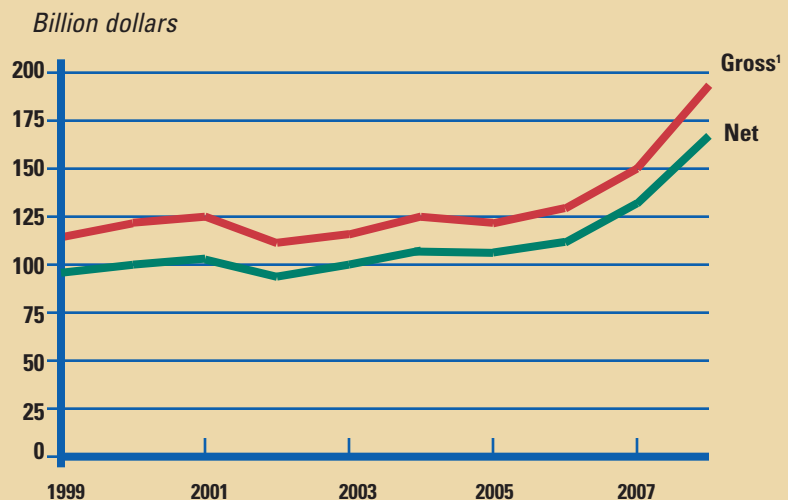
end of the year.

Net income before taxes also set a new record of \$4.8 billion, \$1 billion more than in 2007. This is the fourth consecutive year the nation's agricultural cooperatives set a record for net income.

The main increases were realized from sales of cotton, grain/oilseeds, dairy, fruits/vegetables and all major farm supplies. Grain and dairy sales increased due to higher prices, while most major farm supply sales grew due to increased ingredient prices, especially for energy and feed grains.

"These sales and income figures for 2008 show the overall strength of the nation's agricultural cooperatives and

Figure 1—Cooperatives' Gross and Net Business Volumes, 1999-2008



¹Gross volume includes sales between cooperatives, net excludes these duplicative sales.

Table 1—U.S. cooperatives, comparison of 2008 and 2007

Item	2008	2007	Change Percent
		<i>Number</i>	
Sales (Gross, Billion \$)			
Marketing	116.8	93.1	25.46
Farm supplies	70.2	49.3	42.39
Service	4.8	4.1	16.47
Total (Includes all income)	191.9	146.6	30.91
Balance sheet (Billion \$)			
Assets	69.1	57.1	20.90
Liabilities	46.1	36.2	27.37
Equity	23.0	20.9	9.74
Liabilities and net worth	69.1	57.1	20.90
Income Statement (Billion \$)			
Sales (Plus all income, Gross)	191.9	146.6	30.91
Patronage income	0.9	0.6	33.78
Net income before taxes	4.8	3.8	26.10
Employees (Thousand)			
Full-time	124.4	125.2	-0.59
Part-time, seasonal	53.8	56.2	-4.36
Total	178.2	181.4	-1.75
Membership (Million)			
Cooperatives	2.4	2.5	-2.80
	2,473	2,594	-4.66

point to the continued viability of the producer-owned co-op business structure and the crucial role of co-ops in the economy of rural America,” says Dallas Tonsager, under secretary for USDA Rural Development. “But 2009 is proving to be a much more challenging year for some co-ops and their member-owners, especially dairy producers, who have seen milk prices drop to about half the peak prices received in 2008.”

Marketing of food, fiber, renewable fuels, farm supplies and services by co-ops all increased in 2008 over the previous year (table 1), according to the Cooperative Programs office of USDA Rural Development. Net business volume of \$165 billion (which excludes sales between cooperatives) was also a record, continuing the general upward trend in sales that started in 2002 (figure 1).

The value of cooperative assets grew in 2008, mainly as a result of the increased value of inventories and receivables, due to higher prices of products marketed and sold (figure 2). Equity capital held by cooperatives increased 10 percent, to \$23 billion, but remains low, representing 33 percent of all assets. Growth in assets was largely

continued on page 28

Table 2—U.S. cooperatives net business volume, 2008 and 2007

Item	2008	2007	Change Percent
		<i>Number</i>	
Products marketed:			
Beans and peas (dry edible)	0.191	0.118	62.3
Cotton	3.332	1.786	86.6
Dairy	37.817	35.490	6.6
Fish	0.208	0.206	1.0
Fruits and vegetables	5.233	4.293	21.9
Grains and oilseeds	46.222	28.349	63.0
Livestock	3.240	3.215	0.8
Nuts	0.832	0.804	3.5
Poultry	1.457	1.360	7.2
Rice	1.395	1.116	25.0
Sugar	4.092	3.998	2.4
Tobacco	0.135	0.105	28.5
Wool and mohair	0.006	0.006	3.6
Other marketing	5.615	4.506	24.6
Total farm products	109.776	85.352	28.6
Supplies purchased:			
Crop protectants	4.497	3.140	43.2
Feed	9.277	7.575	22.5
Fertilizer	9.941	6.844	45.2
Petroleum	19.247	14.662	31.3
Seed	2.396	1.819	31.7
Other supplies	5.320	4.255	25.0
Total farm supplies	50.677	38.296	32.3
Services and other income	4.814	4.133	16.5
Total business	165.267	127.781	29.3



Oregon ryegrass is popular for a wide range of uses, from cattle pasture to sports field turf. While the grass seed market has been depressed this year, growers believe the situation would have been worse without their bargaining co-op. All photos courtesy Ostlund Association Management, except grass blade close-up (right) by Monica Johnson

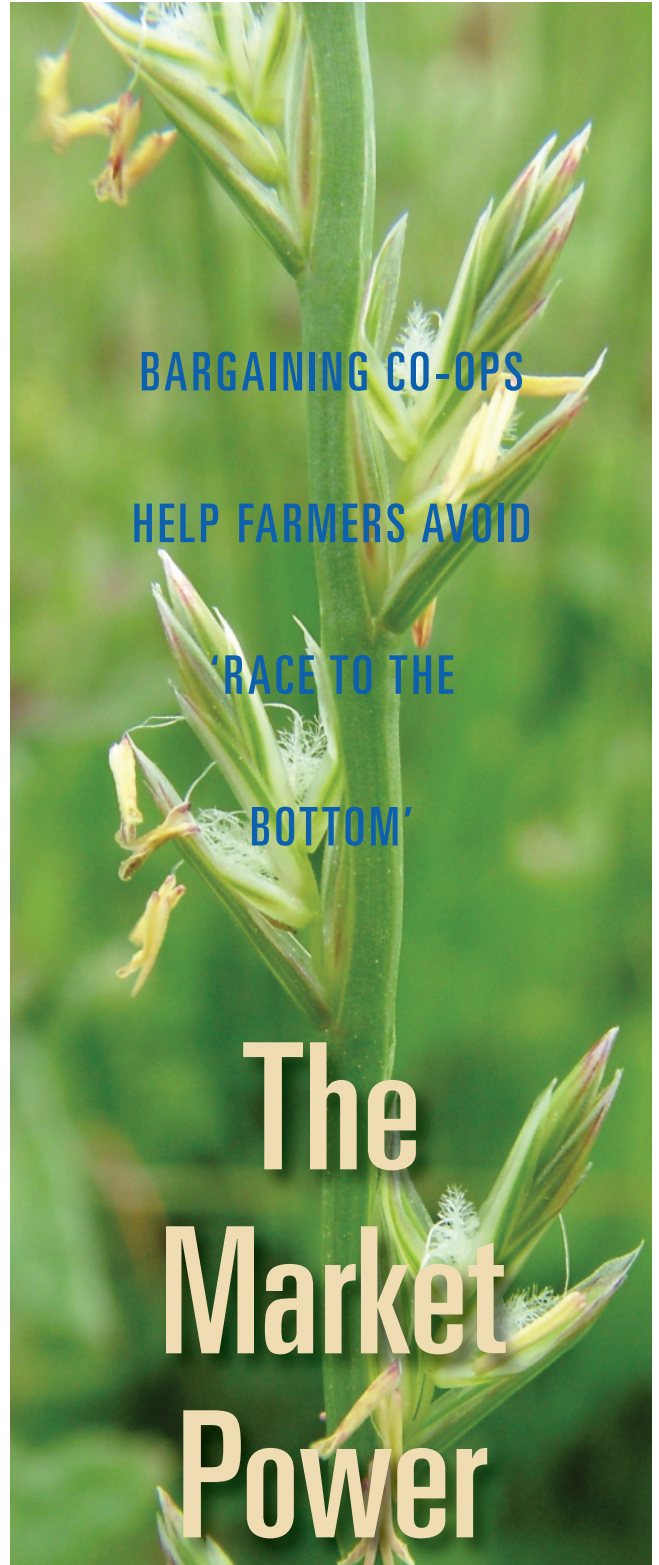
By Alan Borst, Ag Economist
Cooperative Programs
USDA Rural Development



In 2006, agricultural economist Dr. Richard Levins, Professor Emeritus at the University of

Minnesota, summed up the basic market power policy problem facing farmers: “Market power happens when either a buyer or seller gets big enough and powerful enough that it can play the people on the other side of the bargaining against each other and, therefore, move the prices in favor of them.”

Most farmers will realize that they are usually on the wrong side of that equation, Levins said in an address to the National Farmers Organization in 2006, as reported in the Jan. 12, 2006, issue of *Brownfield*. “With consolidation, buyers continue to get bigger, and farmers end up competing



BARGAINING CO-OPS

HELP FARMERS AVOID

RACE TO THE

BOTTOM'

The Market Power Problem



with each other.” Even with average farm size increasing, it is not nearly enough to offset the increasing concentration among buyers.

“Farmers need to act together to pool enough product for the market that they can negotiate a fair price,” he said. Otherwise, it’s a race to the bottom and the person with the lowest price makes the sale.

“The end result of economic power is that those who have such power are able to earn profits that are not available to those who do not have it,” Levins continued. “In our present food system, farmers are too often the ones lacking economic power. Of all the economic sectors of our food system, farmers are universally regarded as being the most competitive among themselves. In a world of giants, however, such competition works against farm income.”

Cooperative bargaining

One organizational option for growers is to organize bargaining cooperatives for negotiating prices and contract terms. Cooperative bargaining associations operate in many U.S. agricultural sectors, especially dairy and fruit and vegetable markets. These associations of growers negotiate terms of sale with processor-buyers of their raw product.

Bargaining associations are covered by the same limited exemption from federal and state antitrust laws as other agricultural cooperatives, as provided by both the Capper-Volstead and Clayton Acts. The Agricultural Fair Practices Act of 1967 was adopted for the purpose of protecting bargaining association members from buyer discrimination. Beyond these federal acts, several states have passed even stronger laws on bargaining association rights.

These laws have enabled bargaining associations to form and negotiate effectively in the face of buyer resistance. Agricultural bargaining associations began to operate during the 1950s, and their growth phase lasted into the 1980s. In states with stronger



Grass seed is a \$510-million industry in Oregon, produced in lush fields such as these. The bargaining association expanded in 2008 to include tall-fescue grass growers, and the name was changed to the Oregon Grass Seed Growers Association.

laws, however, bargaining associations have continued to develop.

Oregon bargaining initiatives

A good example of this is in Oregon, where the state department of agriculture has been authorized to supervise negotiations between producers and buyers for several agricultural sectors.

One important limitation faced by bargaining co-ops is that they have had to meet with buyers individually. Antitrust laws prevent more than one buyer from jointly meeting with the cooperative. This is important, because buyers will resist any agreement that might put them at a competitive disadvantage with other buyers. Only by jointly negotiating can buyers be assured of the same contract terms.

Buyers can only be permitted to jointly negotiate terms of trade with the bargaining association when two legal conditions are met. First, the statute authorizing this bargaining process must clearly identify the anticompetitive conduct that is being

immunized — price setting, in this case.

Second, the bargaining process must include the active supervision of a state agency. Under this “State Action” immunization, Oregon has authorized supervision of bargaining for various types of grass seed, Dungeness crab, pink shrimp and blackberries.

Oregon grass seed

During the early 1990s, the price for perennial ryegrass seed was declining and fluctuating wildly. Growers did not know how much acreage they should plant or what price they could reasonably expect. In 1994, they responded by forming the Perennial Ryegrass Bargaining Association (PBRA). For the rest of the 1990s, the cooperative bargained with individual seed dealers.

The structure and conditions of the market within which an association exists will influence its success in achieving its objectives. During the 1996-98 period, growers secured high prices. Then a market glut resulted when a major dealer with a large



In addition to negotiating for its members, the association also acts as an information clearinghouse on market conditions, benefitting both members and non-members.

inventory of seed declared bankruptcy.

Growers also over-produced because of a lack of profitable alternative crops. These factors, combined with increased international competition, caused the ryegrass market to crash.

In May 2001, an Oregon law was enacted that authorized the Oregon Department of Agriculture (ODA) to convene the Oregon Ryegrass Bargaining Council. The Bargaining Council was composed of representatives and various seed traders. Meetings are held a few times each year to consider inventories, market outlook, seed quality and harvest estimates and to establish price agreements.

Dealer involvement is voluntary, with some consistently attending while others do not.

Role of ODA

An ODA representative facilitates the discussions; the parties consider information collected from all available sources, including dealers, growers, seed cleaners, cooperative extension

services, USDA and others. The ODA supervises and guides the negotiations to prevent antitrust violations. The department also reviews and approves any price agreements. If the Bargaining Council reaches an impasse in negotiations, it may either ask the ODA director for a suggested price (which may be further negotiated) or suggest to the director a price range from which the director will set the price.

From 2001 to 2004, price agreements were reached. An independent accounting firm was hired, and growers submitted their production costs and dealers submitted their inventory information. There were some disagreements over the timing and share of the crop to be negotiated.

In 2005, there was no initial price agreement and negotiations reached an impasse. The Bargaining Council requested, and received, a price recommendation from the ODA director. ODA also recommended the formation of Bargaining Council subcommittees to address data, process

and market issues.

In 2006, negotiations also reached an impasse due to disputes over yield and crop size information. A pricing agreement was eventually reached in late September. Later that fall, the Bargaining Council agreed to move up the deadline for future negotiations in order to allow growers to know the price of contracted seed before planting.

Since 2006, price agreements have been reached. In 2008, dealers agreed to a 2-cent storage/holding cost, with acknowledgement that they would be paid in January for seed sold after that date. The payment was delayed due to the downturn in the economy. Ultimately, the growers agreed to waive the payment for the 2008 crop. This also applies to the 2009 agreement for payment of seed sold after Jan. 1, 2010.

In response to the impasse caused by confusion over yield and crop size, the cooperative asked the Oregon field office of USDA's National Agricultural Statistics Service to help the industry gather data. This would be in addition to information already compiled by Oregon State University economists and extension agents.

ODA expressed the need for better information on grass yield and crop size in order to be better able to judge price fairness.

Serving their membership

The Bargaining Council has standardized pricing and terms of trade in the industry. The negotiated price has occasionally been below the level that would have covered members' costs of production, as it is in 2009. This has been necessary when there has been a price-dampening market glut.

The PBRA became the Oregon Grass Seed Growers Association (Oregon Grass) when growers of tall fescue seed decided to join in 2008. Oregon Grass currently has around 150 members. Member acreage now represents about 45 percent of perennial ryegrass and over 50 percent of tall fescue production. Member size varies, and includes some very large



Learning from potato bargaining

Oregon ryegrass growers have been looking at the business model of potato bargaining co-ops in recent years. The United Potato Growers of America has been a successful, and growing, bargaining co-op that has served its members by educating growers about how to become better marketers and providing them the information they need to make better business decisions (See "Rural Cooperatives," January/February 2009).

Potato growers used to just plant a crop and hope for the best, but now the cooperative provides them with more precise supply/demand information and the members meet and decide on how many acres to plant.

Oregon ryegrass growers have been learning from the United Potato Growers about gathering, analyzing and disseminating market information, and letting it drive the market. ■

growers. Some of these growers are also vertically integrated, with their own marketing division as a separate legal entity. ODA reviews any concerns about conflict of interest in the negotiations.

Oregon Grass has also expanded markets for its members by marketing a premium turf grass seed line: Tournament Quality. This line has a higher germination rate and contains fewer contaminating weed seeds. It was developed for over-seeding golf courses. It has consistently sold for a premium over regular ryegrass.

Even with the power of group bargaining, 2009 is proving to be a very bad year for the ryegrass industry. "There's just been a perfect storm of negative factors that hit the industry," says William Young, a seed specialist with Oregon State University.

"Housing starts have gone into a stall, leisure dollars spent on activities such as golfing are down, and even the cattle industry is in the doldrums." As a result, prices as low as 52 cents a pound were recently established, well

under the cost of production.

In addition to negotiations and marketing its premium seed line, Oregon Grass has been increasingly involved in collecting information for its members. By communicating with grass growers from other areas — such as Minnesota, Canada, Europe and New Zealand — the association is able to better learn of supply conditions. It also networks with other seed dealers and end users to get a more accurate idea of market needs and trends.

The association has a fulltime lawyer to help growers work out their contracts. Oregon Grass has helped growers to make wiser decisions in what they plant, how they market and in contract writing.

By working to reduce uncertainty for their members and to better meet buyer demand, the cooperative has helped the whole industry. Non-member growers have also benefitted from the Bargaining Council's information on market conditions. The price agreements have served as a benchmark

for all grass growers.

Growth of ODA-supervised ag bargaining

ODA has also been authorized to supervise negotiations with the Dungeness Crab Bargaining Council and the Blackberry Growers Bargaining Council. Dungeness crab negotiations began in 2003, while Blackberry bargaining began in 2009.

Crab harvesters and processors were unable to agree on a price and there was a 21-day strike in 2002, which caused the industry to miss the important holiday season. During their first ODA supervised bargaining in November 2003, representatives of fisherman associations and seafood processors agreed to an opening price. This certainty benefitted the entire industry.

Blackberry growers have been receiving prices that are nowhere near covering their costs of production, and they are hoping for better luck under ODA-supervised bargaining.

This system of ODA-supervised agricultural bargaining has been successful in expanding the market power of an increasing number of producers and has enabled the development of several time-sensitive pricing forums. The various bargaining councils organized under this system have empowered their memberships through education and provision of better market information.

Ideally, good-faith bargaining is enforced through some form of mediation or arbitration provision that is triggered when growers and buyers are at an impasse in negotiations. The ODA system provides a negotiating forum with a state agency acting as a facilitator or mediator.

But even this is somewhat limited in scope, because not all dealers participate and there is no arbitration

option. The director of the department has authorities to encourage a negotiated agreement. However, the director is limited in setting a price independent of the parties reaching a negotiated agreement.

“There are no guarantees that growers will get an outcome that is ideal; and it is hard work,” says Brent Searle, special assistant to the director for ODA’s Mediation Program and Price Negotiation Oversight. “The process reflects supply-demand factors and draws criticism from parties who feel it interferes with a free market. There are also struggles with the ‘free-rider’ problem, because not all growers or dealers participate, yet they enjoy some of the benefits of the process without joining in or paying fees. But at the end of the day, I believe this unique process has proven beneficial to growers and dealers, provided more stability in the industry and enabled sharing of information that would not otherwise be possible.” ■



The Rose Bowl is among the large majority of college and professional sports stadiums that still use natural turf for their playing surfaces. Photo courtesy City of Pasadena

Natural turf still preferred for sports

Despite its many advantages, natural turf spawned by grass seed is facing competition from artificial turf, but it remains the choice of most teams and organizations. Oregon’s \$510-million grass seed industry supplies seed for about two-thirds of the world’s cool weather grasses, according to the Oregon Department of Agriculture. Some of these grasses are used for forage, but a majority is targeted at turf – the essential ingredient for football, soccer, baseball, golf and just about any other kind of outdoor athletic activity.

Oregon’s turf seeds have been developed for more than half a century to provide the durability and regenerative capacity that create an ideal playing surface.

The National Football League has generally stated a preference for real grass. Of the 32 teams, only 12 have artificial playing fields in their home stadiums. Only four

of the 30 Major League Baseball teams use something other than turfgrass.

Currently, the new generation of artificial turf that uses crumb-rubber in the base appears to be gaining popularity at the collegiate level, although most colleges and universities still play on real grass.

A year ago, Oregon grass seed farmers essentially provided the natural playing surfaces for many of the sports venues at the Olympic Games in Beijing, China.

“In all likelihood, any kind of world-class athletic event played or contested on grass is done thanks to Oregon grass seed,” says Dalton Hobbs, assistant director of the Oregon Department of Agriculture. “We can point with pride to the Rose Bowl in football, World Cup soccer competition, golf championships like the U.S. Open and The Masters – these are events played on a turf product that has Oregon written all over it.”

USDA, Justice Dept. to hold workshops to explore ag competition, antitrust issues

Agriculture Secretary Tom Vilsack and Attorney General Eric Holder announced Aug. 5 that USDA and the Department of Justice (DOJ) will hold joint public workshops in early 2010 to explore competition issues affecting the agriculture industry in the 21st century. These sessions will also focus on the appropriate role for antitrust and regulatory enforcement in the ag industry. These are the first joint USDA/DOJ workshops ever held to discuss competition and regulatory issues in the agriculture industry.

Workshops will address the dynamics of competition in agriculture markets, including buyer power (also known as monopsony) and vertical integration, among other issues. They will also examine legal doctrines and jurisprudence and current economic learning, providing an opportunity for farmers, ranchers, consumer groups, processors, agribusinesses and other interested parties to provide examples of potentially anticompetitive conduct.

The workshops will also provide an opportunity for discussion for any concerns about the application of the antitrust laws to the agricultural industry.

The goals of the workshops are to promote dialogue among interested parties and foster greater understanding of legal and economic analyses of these issues, as well as to listen to and learn from parties with real-world experience in the agriculture sector.

"It is important to have a fair and competitive marketplace that benefits agriculture, rural economies and American consumers," said Secretary Vilsack. "The joint workshops between the DOJ and USDA will allow a dialogue on very important issues facing agriculture today."

"Maintaining a robust agricultural sector is crucial to the strength of the American economy and to who we are as a nation," added Attorney General Holder. "Through the dialogue established in these workshops and, ultimately, through our actions, we are committed to ensuring that competition and regulatory actions benefit all American consumers and businesses."

While some of the workshops may be held in Washington, D.C., others will be held in other parts of the country. USDA and DOJ are soliciting public comments from lawyers, economists, agribusinesses, consumer groups, academics, agricultural producers,

"For the first time ever, farmers, ranchers, consumers groups, agribusinesses and the federal government will openly discuss legal and economic issues associated with competition in the agriculture industry," said Christine A. Varney, assistant attorney general in charge of DOJ's Antitrust Division. "This is an important step forward in determining the best course of action to address the unique competition issues in agriculture."

USDA and DOJ are interested in receiving comments on the application of antitrust laws to monopsony and vertical integration in the agricultural sector including, the scope, functionality and limits of current or potential rules.

USDA and DOJ are also inviting input on additional topics that could be discussed at the workshops, including the impact of agriculture concentration on food costs and the effect of agricultural regulatory statutes or other applicable laws and programs on competition. Other potential topics include patent and intellectual property issues affecting agricultural marketing or production, and market practices such as price spreads, forward contracts, packer ownership of livestock before slaughter, market transparency and increasing retailer concentration.

The public and press are invited to attend the hearings. Additional information about the date, time and location of the workshops will be provided at a later date. Interested parties should submit written comments in both paper and electronic form to the Department of Justice no later than Dec. 31, 2009. All comments received will be publicly posted.

Two paper copies should be addressed to: Legal Policy Section, Antitrust Division, U.S. Department of Justice, 450 5th Street, N.W., Suite 11700, Washington, D.C. 20001. The Department's Antitrust Division is requesting that the paper copies of each comment be sent by courier or overnight service, if possible. The electronic version of each comment should be submitted to agriculturalworkshops@usdoj.gov. Detailed agendas and schedules for the workshops will be made available on the Antitrust Division's web site at www.usdoj.gov/atr. ■



Honey Co-op Buzzing in Chicago



Urban farming co-op also provides job training for former inmates, others

By Kellen M. Henry

Editor's note: This article is provided courtesy Medill News Service at Northwestern University.



cracked and overgrown concrete slab on an economically depressed block of Chicago's west side wouldn't seem like an appealing place to put down roots. But to urban beekeeper Michael Thompson, the deserted stretch of a former Sears Roebuck and Co. parking lot held the promise of sweet returns.

Over the past seven years, the Chicago Honey Co-op has become one of the largest urban apiaries in the country, while fostering community engagement and job training for residents of the economically distressed North Lawndale neighborhood. It hasn't always been easy for the co-op to fulfill its mission and turn a profit — especially in the unpredictable climate of northeastern Illinois — but Thompson is quick to credit strong support from the community for the co-op's survival.

Chicago Honey is a comparatively small operation. While most beekeepers rely on about 300 hives to support themselves financially, the co-op "bee farm" had about 80 producing hives last summer. The average hive yields about 40 pounds of honey beyond what the bees need each season, but some hives can produce much more — or nothing at all.

"We pretend to know what's going on, but everything sort of happens to us," Thompson said in August, six



Opposite page: Chicago Honey Co-op farm Manager Michael Thompson (left) and member Reveal Pigram check on their bee colonies prior to collecting honey. Bee colonies are placed on the parking lot of a vacant department store. Above: In addition to its honey, the co-op also markets candles and personal-care products. Photos by Kellen M. Henry

weeks into the summer harvest. "It's been delicious. I think we'll have a full crop, but it remains to be seen how the fall crop will be."

Chicago Honey had an ample summer harvest, but it wasn't quite as bountiful as Thompson — a perpetual optimist — had hoped for. The unusually cool summer meant a longer nectar flow, but frequent rains also caused the bees to stay inside more.

The co-op, which has about 35 members, sells its honey at a number of Chicago farmers markets, in addition to local stores, restaurants and on the Internet. Through its website, the co-op charges \$9 for 12-ounce jars of its honey, with bath-product packages ranging from \$10 to around \$50.

The co-op had sales of about \$60,000 in 2007 and it estimates that it made about the same in 2008, thanks to about \$30,000 in grants and donations.

"What we're supported on is amazingly low," says Sydney Barton, a

co-op member who helps with the co-op's business and marketing efforts. "A lot of small businesses might have better access to capital, but — partly because of our setup and mission — we don't have more traditional lenders or investors interested."

Lost hives hurt production

In 2008, the co-op lost several hives during the summer season, reducing the amount of honey it had for the year. The hive failures weren't because of Colony Collapse Disorder, which caused an abrupt disappearance of bees in many parts of the nation last year. However, the co-op said publicity about the colony collapses drew local attention to its hives and the importance of bees in crop pollination (crops as varied as apples, almonds, carrots and alfalfa depend on bees for pollination).

Chicago Honey promoted its candles and body-care products to make up for the shortage of honey, but its on-line market didn't grow as quickly as was hoped. Some of its purchasers, such as Marion Street Cheese Market in Oak Park, Ill., ran out of honey after the end of last season, and couldn't restock due to the co-op's shortage.

The store was eager to restock as soon as more honey became available, says Cristeana Bastian, retail and operations manager for the store and café. "People ask for them by name," she says, adding that customers like the co-op's honey because it fits with their ideas about socially responsible production and buying locally-grown products.

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Focus on...

Shenandoah Valley Beef



Co-op members Jackie and Steve Lohr and son William check on their calves near Broadway, Va. Photos by Michael Reilly, courtesy "Daily News-Record"

By Philp Maras

Editor's note: Maras is a student at the University of Maryland who has been working as an intern with the Rural Utilities Program of USDA Rural Development.



Virginia cattle producers in the Shenandoah Valley have formed Shenandoah Valley Beef, a cooperative created to help local producers gain better control and returns for their members' livestock from the local beef market. By pooling their resources to pursue the "natural," pasture-raised beef market, the co-op hopes to serve the collective benefit of both farmers and consumers.

Shenandoah Valley Beef has attracted the interest of 32 cattle producers and a commitment of about 1,500 head of cattle. Some co-op member families have been farming in the Shenandoah Valley for more than 300 years, and they fear that if their farms fail, urban sprawl will swallow the land (see sidebar).

The co-op hopes to begin marketing cattle in 2010. It will not be processing the cattle, but plans to eventually market beef under the co-op's own brand.

"Presently, there is a lot of consumer interest in where food comes from," says Eric Bendfeldt, area specialist for community viability with the Virginia Cooperative Extension. Bendfeldt helped Shenandoah Valley Beef get started and has assisted other agricultural cooperatives in the past, including Friendly City Food, a co-op with 560 members in Harrisonburg, Va., and the Shenandoah Valley Produce Auction, a limited liability company in Dayton, Va.

Co-op members say their lush valley is ideally suited for raising animals on pasture. While much of the land is too rocky for tilling, the soil is nonetheless rich and receives plenty of rain to

support abundant grass growth. Indeed, two acres of pasture in the valley can provide enough forage for a cow, compared to as many as 70 acres per cow needed in some parts of the United States.

"We formed this co-op based upon a need to stabilize beef prices," says Terry Sager, president of Shenandoah Valley Beef and himself a member of several other cooperatives, including



From the co-op's overview statement:

"We are Moms and Dads, Grandmas and Grandpas, Sons and Daughters dedicated to farming as our way of life. We are hard-working folks who still believe in an honest day's pay for an honest day's work. We are fighting to keep our farms in our families..."

"This beautiful valley is heaven on earth. The sun rises over the Blue Ridge and sets over the Allegheny Mountains. In the spring, the green ascends up the tree-covered Massanutten Mountains... With the snows come the baby calves. There is nothing better than to crest the top of the hill and see a mother cow tend to her newborn calf.

"Sadly, if we do not farm this land, it will be sold to the highest bidder, often to be converted into a store, parking lot or subdivision, and the beauty will be lost forever to urban sprawl. This is why farm families continue to work from sunrise to sunset, caring for land and livestock, 365 days a year." ■

Shenandoah Valley Electric Cooperative, Rockingham Petroleum Cooperative and Augusta Cooperative Farm Bureau. Sager says the newly formed co-op will implement "strict standards" to ensure the cattle they raise are free of growth hormones and feed antibiotics.

Bendfeldt invited Doc and Connie Hatfield, the driving force behind the formation of Country Natural Beef (formerly Oregon Country Beef) (see July/August 2006 "Rural Cooperatives") to speak to the cattle producers of Shenandoah Valley last March, during the early exploration stages for a possible co-op. Their appearance at the meeting, along with a well-attended follow-up session, proved to be a decisive spark in inspiring the Virginia producers to form a co-op.

The Hatfields explained the motivation and methods that led to the creation of their own highly successful co-op, which emphasizes naturally and humanely raised cattle and a long-term focus on environmental stewardship and support for rural communities.

Bendfeldt says many agricultural cooperatives are finding success by catering to consumer demand for fresh, locally grown food that can easily be traced back to where it originated, as well as meeting the high demand for organically grown food free of chemicals or growth hormones. "One way to actually meet that demand is to have farmers work together cooperatively so that they can produce more product and gain leverage in the market," he says.

The co-op has yet to establish a membership fee or issue cooperative stock, but has nonetheless managed to raise \$8,750 for operations. According to Sager, members of Shenandoah Valley Beef will eventually pay a membership fee, but will not be required to commit all of their livestock exclusively to the co-op. ■

Identity Heft

CoBank describes effort to update corporate image



n effective logo and tagline, or motto, play a crucial role in determining the image of a business and how its external and internal audiences perceive it. The end result may appear deceptively simple, but the process of developing them is anything but.

CoBank recently went through this process. Arthur Hodges, corporate vice president for communications with CoBank, discusses the project below. In the November-December issue, Land O' Lakes will answer the same questions about its recent adoption of a new corporate logo and tagline.

Question: *Why did your co-op decide it was time to change the logo? How long had the previous logo been used?*

Arthur Hodges: "Our old logo was put into service back in 1989, the year CoBank was formed through a merger of 11 cooperative banks in the Farm Credit System to form one national financial institution focused on serving cooperative borrowers in rural America. In 2008, at the direction of our board and senior management team, we decided to take an in-depth look at CoBank's brand in the marketplace. By that I don't mean the logo, I mean the bank's overall image and reputation in the hearts and minds of our customers and other key stakeholders.

"We wanted to better understand a number of key questions. How did our customers perceive the bank and its value proposition? Were perceptions the same or different across all the various industries we serve (food and agribusiness, power, water and communications)? Did the

view we have of ourselves inside the bank match up well with what our customers thought?

"Through that larger effort, we determined that our overall value proposition and reputation in the market were sound and in good shape. But we did have some opportunities to enhance our brand presentation. One was that we wanted to tie CoBank's brand more closely to that of the broader Farm Credit System. Membership in Farm Credit is a key part of our identity and value proposition, and the existing logo didn't really offer a way to make that connection.

"Also, our brand presentation was not always consistent. Our communications materials were not consistent in terms of their look and feel. We wanted a visual identity system in place to govern the look and feel of our communications and marketing materials so that when you saw any one of them, they would be instantly recognizable as coming from CoBank. The new CoBank logo was created and adopted to address those two issues."

Did you do the work in-house, or hire an agency?

"The bank's Corporate Communications Division managed the brand initiative, but we used an outside agency to conduct customer interviews, develop the logo design and provide strategic guidance during the process. The agency we used is Sterling-Rice Group, a brand-consulting firm based in Colorado that has a national client base of large enterprises, along with experience in both agriculture and financial services.

"It would be difficult to conduct a thorough brand review without outside agency assistance. You want somebody on



CoBank has replaced its old logo and tagline (below) with the updated version above. The leaf icon at left is intended to better identify CoBank as being part of the nation's producer-owned Farm Credit System.



“We wanted a visual identity system in place to govern the look and feel of our communications and marketing materials so that when you saw any one of them, they would be instantly recognizable as coming from CoBank.”

board who does branding for a living — who has gone through the process multiple times with multiple companies. An outside firm also brings third-party neutrality to the table. If you have issues regarding your reputation, lack of alignment internally or other problems, you obviously want to identify those and address them as part of the brand-audit process. An agency is in a much better position to flag problems and communicate them to your executive management team and board than corporate staff is.”

What was the timeline and budget? Did you stick to it?

“From beginning to end, our process took about a year. We spent the first six months or so on a formal brand audit, which involved about 40 in-depth interviews with the CEOs of selected customers and key executives inside the bank. We also studied existing customer engagement data and looked at what other banks inside and outside the Farm Credit System do in terms of their branding. The second six months were spent on logo design, development and implementation.

“The timeline and total cost of the project were in line with our initial expectations and budget.”

Did this effort also involve a new tagline to go with the logo?

“Yes. Our old tagline was ‘Rural America’s Cooperative Bank.’ Like the old logo, it had been in place for 20 years. There was nothing inherently flawed with the tagline, but it was factual and descriptive rather than emotive. The strongest brands always resonate at an emotional level, and in talking with customers, we learned that there were some powerful emotional connections CoBank has with our customer base.

“For instance, we’re organized as a cooperative and serve a large base of cooperative borrowers, and there is obviously a lot of positive feeling in rural America around the cooperative model. We also found that customers placed a lot of value on the fact that CoBank has a government-chartered mission to stand by the industries that we serve — that we’re not going to pull up stakes and abandon their industries in tough times.

“Our new tagline — Cooperative. Connected. Committed. — is designed to capture those aspects of our value proposition in a way that is both succinct and emotionally compelling.”

Did you have any problems registering the logo as new trademark?

“We are in the middle process of registering the logo with the U.S. Patent & Trademark Office. The process can take up to a year to complete, but for us it has been proceeding smoothly.”

What kind of review or approval process did you follow?

“The logo is the public face of the enterprise; you don’t make changes lightly or without the involvement of your

board and senior executive team.

“We made sure we checked in with both the board and executive management at regular intervals throughout the project, and their input was both thoughtful and very helpful in our decision processes. The logo was formally adopted at a meeting of our board at the end of 2008.”

How many revisions did it go through?

“Arriving at the final design was an iterative process that took a few months to complete.

“Our design firm developed over a dozen different logo ideas and concepts. I was the first reviewer and pared down the initial field to three that felt appropriate to bring forward to our management executive team for their input.

“At that meeting, there was one logo that emerged as the consensus favorite, but our executives requested a number of modifications. Our firm made those changes and we then brought it to our board for their review. Our board also requested a few tweaks to the design that were incorporated into what became the final version.”

Did you do consumer/customer testing?

“As discussed above, we conducted in-depth interviews with a number of customers across all the industries we serve to better understand their perceptions of CoBank and what they look for from a financial services provider. Those conversations absolutely helped guide the logo design process. Once the brand audit was complete, however, we did not take the new logo back out to our customers for their reaction. We were confident that the input received on the front end provided us with the information and perspective we needed, and the positive reaction we’ve gotten from customers since the launch of the new identity has borne that out.”

What was the biggest mistake you made?

“Overall the process went very smoothly. We had hiccups here and there as expected, but I can’t think of any major mistakes.”

Any major lessons learned?

“1. You can’t undertake a rebranding effort without the full support of your board and executive management team. You also have to have a deep understanding of how your customers view you and ensure that linkage is enhanced.

“2. You need the help of an experienced project manager when you get into implementation. Rolling out a new logo is a complex process, and it’s important to have a well-thought-out plan in place to ensure a smooth launch.

“3. You have to stay flexible. No matter how good your implementation plan is, you won’t think of every issue ahead of time. You need to get comfortable with the fact that issues will arise and that you’re going to have to deal with some problems on the fly.”

“The smartest thing we did was to keep an open mind as an organization, both at the board and management levels, about the value we might derive from updating our logo and tagline.”

Arthur Hodges



What was the smartest thing you did?

“The smartest thing we did was to keep an open mind as an organization, both at the board and management levels, about the value we might derive from updating our logo and tagline. Certainly there were strong attachments to our old logo and tagline given how long they had been in place. But we were able to objectively listen to the feedback we got from our customers and internal stakeholders, along with the advice we received from our outside consultant, and then maintain the fortitude required to actually go through with the logo change.”

What has the reaction been like so far?

“The reaction has been very positive all the way around. We’ve received a number of compliments about the redesigned logo from our customers and our employees. I think they especially like the overall level of design excellence we’ve been able to put in place for all of our communications materials.”

In what ways is the logo used?

“The logo is used to brand virtually all pieces of communications from the bank to its various stakeholder groups, including customers, business partners, employees, regulatory personnel and residents of the communities where we do business.

“Key applications include business cards, corporate stationery, invoices, our corporate and other websites, business presentations, signage and marketing materials.”

Was this effort with the logo part of a larger re-branding effort?

“As noted above, the decision to implement a new logo stemmed from a broader corporate initiative to examine the

strength of CoBank’s brand in the marketplace and understand our customers’ perceptions of our overall value proposition.

“The feedback we got from our customers was that our brand is fundamentally sound and well aligned with our formally adopted value proposition. As such, we were fortunate in that we did not need to address any strategic questions about the company’s mission, value proposition or brand promise to our customers. Our focus in updating the logo was much narrower; it related to brand presentation and visual identity only.”

Any special effort to launch the new logo once developed?

“Yes. We timed the launch of the logo in conjunction with the release of our 2008 annual report and the series of regional meetings we hold every year with our customers around the country.

“Our new logo and new tagline were featured on the cover of the annual report and in all of our on-site meeting materials. We also supported the launch with advertising in customer-facing trade publications.

“Just as importantly, we unveiled the logo to our associates in a special all-employee meeting two weeks in advance of the external launch. It was a great event. Our CEO talked about the strength of the CoBank brand and how our new logo was designed to take our brand presentation to the next level. We provided our employees with a number of giveaway items with the new logo, including a high-quality acrylic tombstone of our value proposition they could keep at their desks.

“Engaging employees is critical to the success of a brand launch. They are ultimately all brand ambassadors for the company and are the most effective channel to communicate what you’re doing to your customers and other key stakeholders.” ■

Communications can help co-ops shine

Top CEO communicator Bob Ray shares insight

By Dan Campbell, Editor



an a co-op communications program ever do too much communicating? And do old-fashioned communications channels still often work better than new-fangled communications technologies?

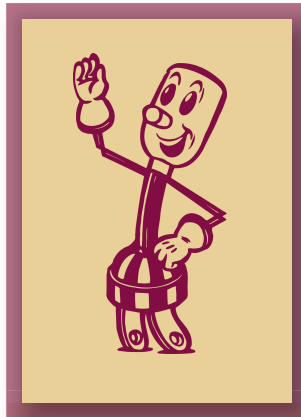
The answer to both questions is “yes,” according to Bob Ray, CEO of Flint Energies, a 64,000-member electric co-op based in Reynolds, Ga. Ray, selected as the 2009 CEO Co-op Communicator of the Year by the Co-operative Communicators Association, shared some of his communications philosophy at CCA’s annual institute in Kansas City, Mo., in June.

Employee surveys at Flint revealed that internal communications were weak at the co-op, which supplies electricity in 17 central Georgia counties and does about \$250 million in business annually. Delving deeper into the issue, management learned that the co-op’s 230-some employees felt they were suffering from communications overload. As a result, the co-op’s internal communications program was completely revamped in 2005.

In several areas, this meant going “retro,” returning to tried-and-true methods of the past and making sure that communications flowed both ways.

“We went retro by having face-to-face, small-group meetings with employees for strategic planning and developing a “Best Places to Work Committee,” Ray said. Similar meetings were instituted with a key external audience: members of Congress and the state legislature. These informal talks were usually held at local coffee shops that the representatives frequented and felt relaxed in.

The co-op also brought back Willie Wirehands — a rural electric logo introduced in 1951 — in some of its communications products. “We did this because it was important to our linemen to show that Flint had not been fully consumed by the idea of deregulation.”



Willie Wirehands, introduced in 1951, is being used again by Flint Energies.

With deregulation of electric markets looking likely in 1999, the co-op had started to diversify into new businesses, such as propane fuel and electronic pager services. To re-brand itself, the co-op even changed its name from Flint EMC to Flint Energies. This caused some internal divisions within the co-op over the new directions.

When the threat of deregulation subsided, the co-op shifted its focus back to its core business of electricity distribution. So, bringing back the old “Willie” logo was a way of underscoring this renewed commitment to its core mission.

Balancing old and new

Ray also is a strong believer in the value of hand-written notes — thank you notes, birthday cards, etc. — to staff, something he learned “many years ago from a great communicator.” But don’t go overboard when embracing the communications methods of the past, he stresses.

“You cannot stay in the retro lines of communication and expect to meet deadlines and budgets and other demands,” Ray said. “Too much of today’s population is “YouTubing” and “Tweeting” to not explore the usefulness of those means of communicating. Find what works and bring it forward as part of a comprehensive communications strategy that continues to evolve.”

This means facilitating messages both to members who still use rotary phones (the co-op still has some) and to “Facebook fanatics.”

“Bob Ray’s leadership shows that an emphasis on forthright communications is an important part of an effective cooperative business,” said CCA President Lisa Moorhouse of CHS Inc. “At CCA, we’re pleased to honor his example of innovation in keeping co-ops strong.”

Award presenters also cited Ray’s reorganizing the cooperative so that the communications office reports directly to the CEO, for instituting a video news service for employees, for starting an electronic newsletter for members

and for launching a high-profile campaign to explain to members the Wholesale Power-Cost Adjustment (a complicated charge to their electric bills) as examples of his commitment to communications excellence.

Keep it real

Whenever possible, avoid use of clip art and stock photography in deference to images of real co-op employees and members, Ray said, adding that “clip art is for the un-artful.” Whenever he sees co-ops using stock photos of people who are obviously models, he can’t help but wonder: “Who are these perfect people in these perfect settings?”

There are occasions when time and budget constraints may force co-ops to use clip art and stock photos, he notes. “But, if you have the option to use your members, your employees, your businesses, your local attractions — why not do it? You will get more buy-in to your message and more of a connection to your target audience if you use the resources that are only snapshot away,” said Ray, who joined Flint Energies in 2003 as chief operating officer, rising to CEO in January 2005. From 1999 to 2003 he was assistant secretary of state/chief operating officer for the state of Georgia.

As for employees or local business owners who get upset because someone else was included in a co-op newsletter or website rather than them, that’s OK, Ray says. Indeed, he urges co-ops to “dare to make somebody mad because they are not included first. What greater compliment is there than for: 1) people to respond to our communications and 2) to want to be included next?”

The world of politics has taught Ray that “the best leaders are those that



Flint Energies CEO Bob Ray joins Huntington (Georgia) Middle School Principal Dr. Gwendolyn Taylor and some of her students to cut the ribbon dedicating a new solar panel, part of the SunPower for Schools program.

relay a message that is not political, but comes from deep inside — a genuine belief or a movement motivated by direct connections to their soul. This business is not just professional, it’s personal.”

This is especially true for co-ops, where employees live and work with the members they serve.

“You don’t just work at the cooperative, you live it everyday,” Ray said. “And that’s something Wall Street and some government regulators will never understand. It’s about staying in touch with, and empowering, 237 members of the Flint Family with the information they need to give their all everyday to exceed the expectation of the people we serve” and to make the co-op “shine to its brightest potential.”

Stretch, but never break

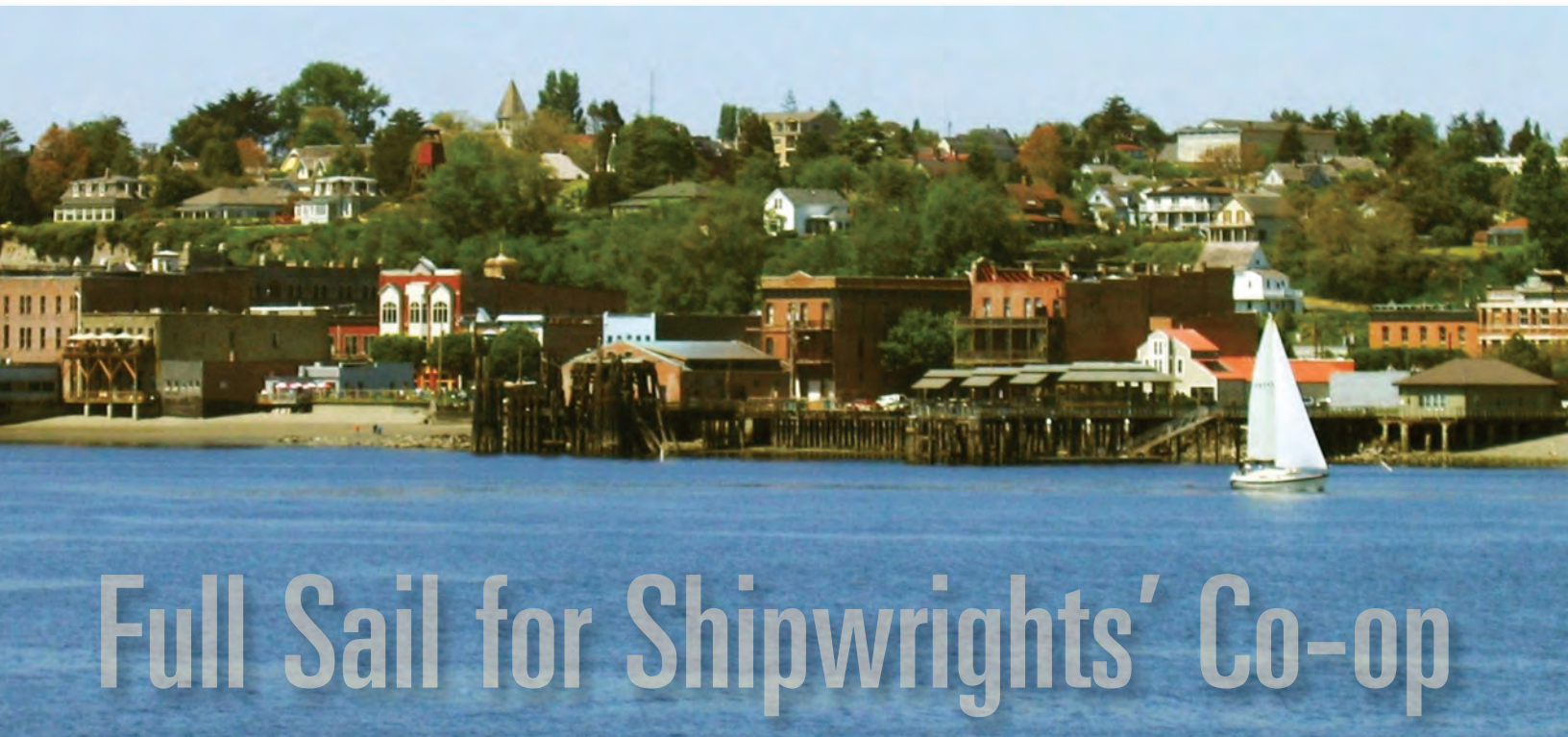
With so many methods of communicating to members and employees — direct mail, bill stuffers, printed newsletters, video newsletters, bulletin boards, newspapers, phone and voice mail, radio, television, club presentations, member committees, board meetings, e-mail, Internet, texting, Facebook and YouTube, among them — Ray says communicators can be excused for sometimes feeling a little like Stretch Armstrong. “Stretch” was a popular toy in the 1970s that kids would pull and stretch in all directions, but would then snap back to its original proportions.

“Like Stretch Armstrong, we can be pulled in all directions. We might get thin, but we do not break. And despite all the yanking and pulling in all directions, we never give up our efforts to be transparent, or on our aggressive defense of

professional and personal integrity and our mandate to tell the truth. That does not mean going back to the shape we have always been. It may mean pulling it back together with a new look, a new approach or a new message from an entirely different perspective.”

In summary, Ray said these are the primary communications lessons he wished to share:

- Stretch resources as necessary, but keep the true form of integrity and truth while moving forward.
- Borrow from the past the things that bring you face-to-face with your assets.
- Be artful with the resources of your cooperative.
- Keep your work professionally personal. ■



Full Sail for Shipwrights' Co-op

By Stephen Thompson, Assistant Editor



Port Townsend is a picturesque, Victorian town at the tip of Washington's Olympic peninsula in Puget Sound. Once a bustling commercial port, it now serves fishing and pleasure boats. With a lovely setting, thriving arts community, mild climate, upscale shops and restaurants and beautiful, well-preserved old architecture, the town is a gracious place to live and a popular tourist attraction.

It's also well-known as a center for wooden boats and ships, due in part to a shipyard with a well-established reputation for building and repairing wooden vessels: the Port Townsend Shipwrights Cooperative.

With 12 members, 11 of them skilled shipwrights, the cooperative is capable of building a 60-foot or larger boat from the keel up. Most of its work, however, is repairing and refitting fishing and pleasure boats — both powered and sailing vessels.

The shipyard takes on not only wooden-hulled craft, but also those made of steel, aluminum and fiberglass. It can repair hulls and superstructures, rebuild diesel engines, install or refurbish electrical wiring and hydraulic systems, refinish or install luxury interiors and handle all the other myriad tasks a small shipyard is called upon to do.

In its 28 years in business, the co-op has built a reputation for excellent workmanship and contributed to Port Townsend's status as a favored destination for those interested in maritime history and tradition.



The Port Townsend Shipwrights Cooperative specializes in repair and restoration of wooden boats, but also works on fiberglass, steel and aluminum craft. In its 28 years, the co-op has established a reputation for excellence. Photos by Bruce Campbell



**Dissatisfied
working for others,
craftsmen are now
the bosses of
boat-repair
business**



Port Townsend once seemed destined to be the major city on Puget Sound, but Seattle became the region's commercial center. Port Townsend remains a popular destination for tourists and boaters.

The cooperative began in 1981 after some marine carpenters and boat builders in the port began discussing their dissatisfaction with working for other people, which led to open meetings held to discuss solutions. As skilled craftsmen, they felt more than capable of running a boat-repair business; the problem was just how to get that business started.

One of them, who had worked in a plywood-making co-op, suggested the cooperative business model. Others had noted local groups of tree planters doing work for the USDA Forest Service who also used the cooperative business model.

Networking with other co-ops

Soon, members of the group held talks with members of a local workers cooperative that ran a restaurant, and then got in touch with the Puget Sound Cooperative Federation, a Seattle-based organization dedicated to promoting co-ops. They also became interested in the Mondragon Cooperative Corporation in Spain, and based their co-op's structure loosely on that of the Spanish co-ops.

The Puget Sound federation put them in touch with an attorney with co-op experience, who helped them develop bylaws for their new cooperative. The success of their business model has attracted the interest of other worker cooperatives in the area, some of whom have adapted the shipwrights' bylaws for their own businesses.

Leasing some property in the port wasn't difficult. The cooperative started working out in the open, with a small 8-by-10-foot shed serving for office space and tool storage.

"We'd pull the boat out of the water and set it down in the yard, and just work on it in the open," says Jim Lyons, the only remaining original member.

The Cascadia Revolving Fund, a local philanthropic organization, later provided a loan to build a proper shop. The 60-by-70-foot, heated, metal building can hold two or three vessels at a time for repair. The cooperative also has two smaller buildings that serve as a tool shop and joinery shop, as well as a roofed open-boat shelter.

The co-op originally consisted of 15 members. After an initial shake-out period, "It fell down to eight people and a band saw," says member Curtis Schloe. That band saw, a necessity for repairing and building wooden boats, is now part of the co-op's logo.

Working in a shipyard, especially on wooden vessels, requires workers to be jacks of all trades. It calls for expertise in carpentry, joining, metalworking, mechanics, pipefitting and a score of other skills, many of them unique to the maritime world.

The cooperative does have specialists: Schloe, who joined in 1991, brought the board his experience in marine refrigeration systems, which he'd gained from years working in the Alaskan fishing fleet. The same year a welder and a caulker joined also.

Today, three members perform full-time specialty work: a diesel mechanic, a welder and a certified electrician. Others



have skills in rigging, caulking, design, cabinet-making, finishing and other fields, but turn their hands to whatever jobs need doing at the moment. The only non-shipbuilder is Suzie Barnes, the co-op's bookkeeper.

Self-motivation critical to co-op

In addition to being adaptable, co-op members must be self-supervising. The cooperative's success depends on the initiative and craftsmanship of every member. "Slackers," people who aren't self-starters, loners and clock-watchers can't make it.

"We don't have any bosses," Schloe says. "Everybody is a boss. Some people can do it, and some people can't."

"This kind of business appeals to people who are independent, but appreciate a little structure," says Lyons. "Everybody's the kind of person who can lead, but can follow too."

Today, the co-op's 12 members all sit on the board, which meets monthly to vote on housekeeping decisions. The business operates as a corporation for tax and licensing purposes, but it is run as a cooperative.

Prospective new members are approved by vote; members who aren't working out can also be voted out. Share prices are \$100, refundable when a member leaves.

The members determine the current wage rate, and are each paid according to the number of hours worked. Everybody is paid the same per-hour rate. The co-op occasionally hires an employee on a temporary basis; otherwise, the work is generally done by members.

Those jobs for which the shipyard is not equipped, such as fiberglass repair or upholstery, are contracted out to nearby firms. The business model hasn't changed since the cooperative's founding.

Eighty percent of any yearly profit above wages and expenses is divided by hours worked and then distributed as dividends the next year. Twenty percent of the profit is held back as a cash reserve.



Co-op members need skills in carpentry, joining, mechanics and pipefitting, among other crafts, some of which are unique to the maritime world. Three co-op members have specialty skills that keep them busy full time, performing either diesel mechanics, welding or electrical work.



In the beginning, says Schloe, almost all of the cooperative's work was on fishing boats, which traveled to Port Townsend from as far away as Alaska and California for repairs and refitting. In recent years, the number of commercial boats coming in has decreased, but the yacht trade has grown to fill the gap.

Wooden pleasure craft have a beauty — and connection to the past — that metal or fiberglass boats can't match, many believe. The use of new epoxy coatings make wooden boats more durable and practical than they used to be.

They still cost more to build, repair and maintain, but wooden boats have become fashionable with enthusiasts who have the funds to own them. Many old fishing boats are now being restored and modified for use as pleasure craft.

The cooperative also restores historic vessels. A few years ago, it completed the keel-up restoration of an old wooden tugboat, the Sandman, for the City of Olympia.

"She'd just been sitting for a long time," says Lyons. "So she was in pretty bad shape. When they towed her over here, she started taking on water and they had to beach to keep her from sinking." Restored to new condition, the boat is now

docked in Olympia and on display to the public.

Emphasis on pleasure craft

"Today, pleasure boats are about 80 percent of our work," says Schloe. "The jobs tend to be smaller, but there are more of them." The growth in yacht work also means more emphasis on fine finish work, such as cabinetry and interior work.

Wooden fishing boats are still being used for their original purpose. Schloe says an Alaskan fishing family recently purchased an old wooden purse seiner, a fishing boat that uses a special type of net, to fish for salmon.

"The father already has one, and now the son is getting his own. They're bringing it down here for a refit." Repairs on commercial fishing boats focus less on appearance and more on keeping the craft seaworthy and productive. "Some of them get a full refit, with engine work and everything, and some come down just to get a few planks replaced."

Although the cooperative does most of its work on wooden boats, it can handle steel and aluminum boats as well. A recent project involved converting a steel trawler to a yacht. To lengthen the hull, it was cut in half ahead of the wheel house, and an eight-foot section fabricated and inserted into the gap. The result looks and performs as if it were the original design.

And the shipyard occasionally builds a new boat, too. "We might build one every 2 or 3 years," says Schloe. "It keeps our license up." The yard even builds a small skiff every now and then.

The recession has slowed things down slightly, but Schloe and Lyons say the yard is staying busy. "We took a little downturn," says Lyons, "but the business kept coming in."

The co-op has a website and exhibits at Seattle's yearly Pacific Marine Expo, a huge commercial fishing trade show. It also advertises in yachting and other periodicals. However, Schloe says that most of their business comes in by word of mouth. "The fishing industry has changed," he says. "But the old-timers still remember us."

Lyons agrees. "Oh yes," he says. "Nothing beats reputation for attracting business. The boys in the fishing fleet are always talking on their radios, and I expect the recreational boaters do too."

The latest new customer, the owner of a wooden fishing boat in Half Moon Bay, Calif., apparently learned about the cooperative the old fashioned way.

And the old-fashioned way seems to have a lot of life left in it. The traditional virtues of self-reliance, good craftsmanship and pride in a job well done are still paying dividends. The co-op is continuing to expand: it's planning a new building to serve as a shop for electrical and hydraulic systems.

"We didn't think of it as something that would last nearly 30 years," Lyons says of the co-op. "But it's been a good fit for me. It's been good all along." ■

Utility Co-op Connection

Adelstein to lead USDA rural utility programs

By Anne Mayberry
Rural Utilities Service
USDA Rural Development

Jonathan S. Adelstein was confirmed by the U.S. Senate in July as the new administrator for the Rural Utilities Service (RUS), part of USDA Rural Development. In his new post, he will direct USDA's programs for rural electric and telecommunications utilities, as well as water and wastewater programs.

"I am honored to have been appointed by President Obama to such an important position at a time of such great challenge," Adelstein said. Prior to this appointment, he served nearly 7 years as a member of the Federal Communications Commission.

Before joining the FCC, Adelstein served for 15 years as a staff member in the U.S. Senate, including 7 years as senior legislative aide to then Senate Majority Leader Tom Daschle, where he focused on telecommunications, financial services, housing, transportation and other key issues. Prior to his Senate service, Adelstein was a teaching fellow in the Department of History at Harvard University while studying at the Harvard Kennedy School of Government.

Adelstein is a strong advocate to improve rural telecommunications and broadband. To ensure that all consumers have access to the latest telecommunications services no matter where they live, he has strived to

improve universal service. He has advocated for a substantive national broadband strategy with aggressive goals and specific policy recommendations.

Adelstein was a key staff architect for expanding the Rural Utilities Service's authority to finance broadband services in the 2002 Farm Bill. He has promoted access to telecommunications and media outlets by minorities, rural and low-income consumers, people with disabilities and non-English speakers.

Adelstein was born and raised in Rapid City, S.D.

The following discussion took place in August, soon after he took up his new post with USDA.

Question: Tell us a little about your background and how it plays a role in your goals and activities at RUS.

Adelstein: "The RUS is at the center of many of the critical issues on the forefront of the Obama administration's agenda: expanding access to broadband, better addressing our energy needs and protecting our environment and water resources. My 22 years of experience in so many aspects of our federal government operations give me a useful background in approaching these challenges.

"First, we will need a close partnership with Congress to succeed. My years as a staff member in the U.S. Senate helps me understand and appreciate the issues faced by Congress. Second, my experience at FCC gave me insight into the problems rural areas face in terms of telecommunications,

including broadband deployment and adoption.

"I look forward to learning about the energy and water concerns facing our rural residents. It gives me a chance to work with some of the most dedicated leaders in our rural communities who run the electric co-ops and the small water systems. These are the folks who make those communities tick. It is incredibly rewarding to find myself in a position to help them meet their communities' needs."

What do you hope to accomplish this year, and what are some of your long-term goals?

"I just got here, but clearly, implementing President Obama's stimulus is on the top of my plate. We were given around \$12 billion to invest in rural telecommunications and water infrastructure, and we are working overtime to do so. As we work through this huge undertaking, we are keeping in mind our long-term goals of ensuring rural Americans have access to the latest telecommunications technology no matter where they live, ensuring access to affordable and reliable electricity — including the development of alternative energy for sustainability — and providing rural residents with safe, clean water that protects their environment."

RUS had its origins in funding rural electric and rural telephone cooperatives. Do you think the cooperative business model still works for today's needs?

"Absolutely. Without a doubt,

cooperatives play a vital role in meeting the needs of rural Americans. Because the cooperative business model is based on member ownership, control and benefit, its success is enduring. Rural electric and rural telephone cooperatives were established to deliver services to rural communities that were often neglected by neighboring for-profit companies that didn't want to incur the cost of extending service to rural areas.

"Rather than produce a profit for their shareholders, the goal of cooperatives is to serve the needs of their members at the lowest cost. The cooperative mission sets them apart from other business models.

"We know from our financing experience that it's not always profitable to build utilities in rural America. This is why cooperatives are so critical to the overall success of the rural economy — they have provided a vital service that may not have been otherwise as available or affordable.

"Changing demographics, our increasingly competitive environment and technological innovations have now opened the door to new services and an even better quality of life. Many rural areas would have been left out if not for the efforts of cooperatives.

Cooperatives helped create rural businesses, and rural businesses are sustained by the continuing evolution and reinvestment of successful cooperatives in their communities."

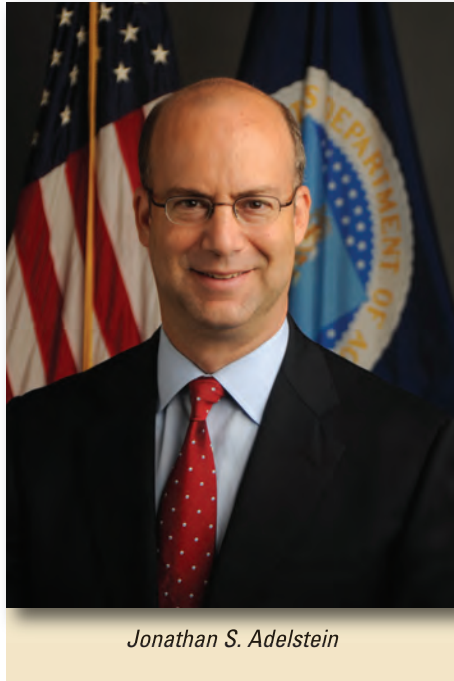
Can you compare the telecoms of 60 years ago with today's broadband efforts?

"We provided financing to develop telephone systems in rural areas 60 years ago, and we're still financing rural telecommunications today. Congress expanded the authority of the Rural Electrification Administration to include telephone service in 1949. In the 20th century, telephone service was too often confined to more urban areas.

"Much like the telephone system in the last century, today's broadband networks too often bypass rural America. My experience has shown that

when a rural area is served by a cooperative, it actually improves the chances that the area has access to cutting-edge broadband service.

"Access to such high-speed Internet service is now an essential tool to increase the quality of education and health care and to attract business, investment and economic development that creates jobs. So, although the equipment has changed significantly



Jonathan S. Adelstein

(we now use fiber instead of copper, for example), we're celebrating 60 years of financing rural telecommunications as an unquestioned success."

RUS today is composed of electric, telecommunications and water and wastewater programs. What are the major challenges that you expect to see in these three areas and what are some of your ideas as to how you might address these issues?

"For telecommunications, we're currently in the midst of one of the biggest technological transformations ever seen in this country: the shift to broadband networks, on which voice service is just one application. The question we face is how to deliver broadband to areas that are still unserved or underserved, which is

usually due to either geographic or economic issues.

"Current broadband service providers may have difficulty making the business case necessary to obtain financing in these areas. The Obama Administration and Congress recognized this in creating the stimulus program for broadband that RUS and the Commerce Department's National Telecommunications Information Administration (NTIA) are conducting under the American Recovery and Reinvestment Act of 2009. The unprecedented, \$7.2 billion for this broadband program will not deliver broadband to all areas currently lacking high-speed Internet service, but it may serve as a blueprint for how we can meet these needs as soon as possible.

"For our electric programs, our challenges include funding the development of renewable and alternative energy, expanding and modernizing our transmission and distribution grids, improving energy efficiency, encouraging deployment of smart grid technology, and meeting future electric needs while addressing environmental concerns.

"For water programs, again we are now expanding our efforts dramatically under the nearly \$1.4 billion water program investments under the stimulus act, which will finance over \$4 billion in projects. While many of us take clean water for granted, many in rural areas still lack access to quality water and wastewater systems. For some parts of the country, water — or lack of water — is an immediate threat to the health of our citizens or the preservation of the rural environment.

"With all three areas of infrastructure, there is a great need to fund repair and maintenance. Many of the systems in place today were built 50 to 75 years ago, or more. How we balance investment in new construction to meet future needs while funding needed upgrades and repairs to infrastructure is among the great debates occurring at all levels of government.

continued on page 28

“President Obama’s Recovery Act is a good first step toward meeting these needs. We know that these stimulus dollars are just a downpayment toward what will be needed for years to come. But it is a big step toward providing funds that deliver reliable, affordable broadband and water, and to improve the level of services to rural areas. Perhaps more importantly, we are all far more aware of the need to figure out how to pay for infrastructure in the coming years.”

Broadband is leading a convergence in infrastructure that is necessary for the “smart electric grid.” Some say this could have an impact similar to the way electricity changed the way people lived and worked in rural America about 75 years ago. Can you discuss this and where RUS fits in the picture?

“Broadband is indeed the convergence technology for Rural

Utilities Service, which brings together all of our programs. Broadband — in some instances — is what makes the grid ‘smart.’ Broadband can provide rural communities with the technological capacity to monitor the quality and quantity of their water and wastewater systems.

“Among the greatest obstacles to overcome in rural America is knocking down the distance barrier. Broadband doesn’t eliminate distance, but it does help reduce it. It provides educational tools, specialized medical care, access to global financial resources — all services not readily available to most people living in rural communities a few years ago. But for many people who don’t have high-speed Internet access, these services are still not readily available today.

“I hope we can fix that. That’s where RUS enters the picture.

“The broadband program that we’re

working on with NTIA is a big new chapter in our ongoing efforts to help rural communities gain access to high-speed Internet services. The programs we have had in place to fund rural telecommunications programs for the past 60 years — beginning with our telephone program, our Farm Bill broadband program, our Distance Learning and Telemedicine and Community Connect programs — will still be in place after we’ve invested the Recovery Act funds.”

Any final thoughts?

“RUS has a long history of success. But there is certainly much more to be done. Our role in how these programs are adapted to help rural America better meet today’s challenges and prepare for the challenges we’ll face tomorrow will be the measure of our future success.”



Cooperatives set sales, income records
continued from page 5

financed by liabilities, which grew by \$10 billion, to \$46 billion.

Patronage income (refunds from

other cooperatives due to sales between cooperatives) grew 34 percent, to \$900 million, up from \$600 million in 2007.

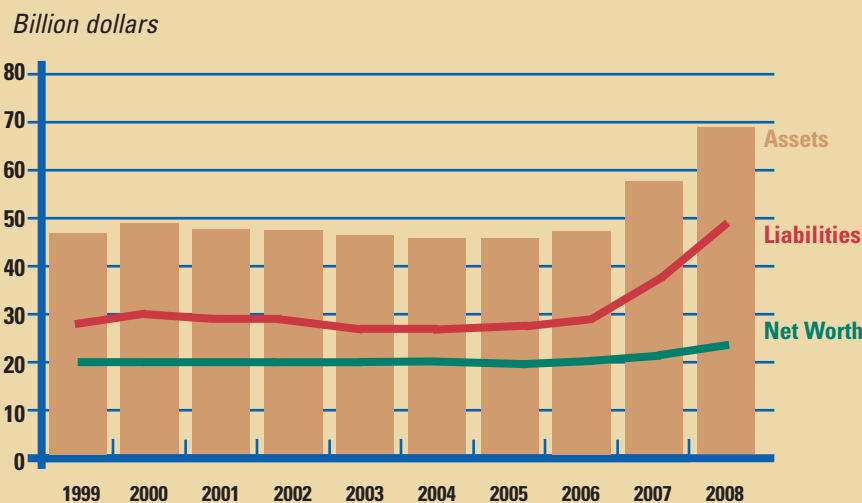
Farmer, rancher and fishery cooperatives remain one of the largest employers in many rural communities, with 178,000 workers. The number of full-time employees decreased slightly

in 2008, to 124,000 (down 800 from 2007), while the use of part-time and seasonal employees decreased 4 percent, to 54,000.

Farm numbers continue to decline, with USDA counting 2.2 million in 2008, down 0.2 percent from 2007. The number of farmer co-ops also continues to decline — there are now 2,473 farmer, rancher and fishery cooperatives, down from 2,594 in 2007. Mergers account for most of the drop, resulting in larger co-ops.

Producers held 2.4 million memberships in cooperatives in 2008, down 3 percent from 2007. Many farmers and ranchers are members of more than one cooperative, hence cooperative memberships exceed U.S. farm numbers. ■

Figure 2—Cooperatives’ Assets, Liabilities and Net Worth, 1999-2008





More VeraSun ethanol plants sold



Two more of the six ethanol plants AgStar Financial Services lending group acquired last March in the bankruptcy of VeraSun Energy have been sold. Both plants were expected to be back in full operation by about the end of September. That left all but one of the six plants still to be sold, as of mid-August.

United Cooperative of Beaver Dam, Wis., acquired the ethanol plant in Dyersville, Iowa, which has a production capacity of up to 120 million gallons annually. It was subsequently announced on Aug. 14 that United Cooperative had joined forces with Big River Resources LLC, of West Burlington, Iowa, and Rumbold & Kun Inc., of Wyoming, Ill., to form Big River United Energy LLC, which will own the plant. Big River Resources is majority owner and operates the plant.

Guardian Energy LLC, headquartered in Shakopee, Minn., has entered into an agreement to purchase a 100-million-gallon plant in Janesville, Minn. Guardian Energy is a wholly owned subsidiary of Guardian Eagle Investments, which was formed to own and operate the Janesville facility. Made up of farmer and regionally owned ethanol plants, Guardian says it “sees great value in working together to secure local ownership and to retain the value created at the local level.”

AgStar, headquartered in Mankato, Minn., and a part of the producer-owned Farm Credit System, will continue to provide financing for operations of both plants. Terms of the sales were not announced.

Renewable Products Marketing Group (RPMG) will provide marketing services for Guardian Energy’s plant in Janesville. Founded as a cooperative marketing service group for Minnesota ethanol producers, RPMG has grown to be the third largest ethanol marketer in the United States.

“Our group of farmer-owned ethanol producers is very excited to see this purchase come together,” says Randy Hahn, a representative of Guardian Energy and CEO of RPMG. “We strongly believe that the value generated by converting our locally grown corn into renewable energy ought to stay here at home. We are committed to keeping

this facility in the hands of local producers and farmers.”

United Cooperative — a full-service cooperative offering, feed, grain, agronomy, and energy products and services — started investing in the ethanol industry in 2005. It is an investor in the Woodbury, Mich., plant, and provides administrative and information technology services at that facility. United also holds two of the six seats on the board of directors. The co-op also is the managing member of United Ethanol LLC, in Milton, Wis.

Big River Resources was formed as a cooperative in 1992, later changing into a holding company. Through subsidiaries, it operates two other ethanol plants with total production capacity of 190 million gallons per year, and operates a 5.1-million-bushel grain elevator.

Rumbold & Kun is a family-owned grain business with eight grain facilities with a 20-million-bushel capacity.

Paul DeBriyn, president and CEO of AgStar, says he

continues to believe in the viability of the ethanol industry and that AgStar is pleased that the plants will be owned and operated by producers. “Ethanol has encountered continued volatility, but recent conditions have shown signs of stabilization. We’re excited to know these plants will soon be operational, creating jobs in rural

areas, purchasing corn, producing ethanol and dried distillers grain (DDG) for livestock producers.”

It was previously announced that two other former VeraSun plants that AgStar acquired — in Central City and Ord, Neb. — had been sold to Green Plains Renewable Energy of Omaha, Neb., and that a former VeraSun plant, in Woodbury, Mich., had been sold to Carbon Green BioEnergy.

Members of Guardian Eagle Investments represent nine ethanol plants with a total production capacity of more than 500 million gallons per year. The members pride themselves on their continuous innovation and spirit of cooperation, Hahn says. It is also a founding member of RPMG.

AgStar Financial Services serve 69 counties in Minnesota and northwest Wisconsin. As a value-added financial services cooperative, AgStar allocates patronage dividends to its 13,000 stockholders. ■



Ethanol plants formerly owned by VeraSun in Dyersville, Iowa (top), and Janesville, Minn. (above), are now under new ownership.

Bagby, Dorman named top co-op communicators

Editor's note: portions of this article are reprinted from CCA News, and were contributed by Paul Wesslund of the Kentucky Association of Electric Cooperatives and Marian Douglas of Flint Energies.



Mark Bagby, director of communications for the Calcot cotton cooperative in Bakersfield, Calif., is the 2009 recipient of the Klinefelter Award, the highest honor bestowed by the Cooperative Communicators Association (CCA) for individuals who have helped to “further the cooperative system and spirit and raise the standards of cooperative communications.” He was cited for helping his co-op excel and for helping CCA to grow into the use of electronic media and other member services.

Sarah Dorman, communications specialist for West Central in Ralston, Iowa, received CCA's top honor for a young co-op communicator, the Graznak Award. She was praised for her creative approach to cooperative communications and her selfless dedication to CCA and to helping other co-op communicators. The awards were presented during CCA's annual Communications Institute in Kansas City, Mo., in June.

In presenting Bagby the award, Paul Wesslund, last year's recipient and vice

president for communications at the Kentucky Association of Electric Cooperatives, cited letters from colleagues who called Bagby “a strong leader; a person with a sharp mind and quick wit; a writer with keen critical/analytical thinking skills and a gifted speaker.”

The award winner was repeatedly praised by nominators for his ability to learn new subjects quickly as well as a willingness to spend the time sharing that knowledge with others.

In his work with the cotton marketing co-op, Bagby has communicated through wrenching changes in the industry. At Calcot he's also responsible for media relations, logo design, publications production, communications planning, script writing, desktop publishing and maintaining websites. Bagby, who went to work for Calcot in 1993, is also in charge of meeting planning, speechwriting, conducting tours and serving as co-op spokesperson. Bagby has placed stories on ABC News and the *Los Angeles Times*, coordinated visits by U.S. presidential candidates and has hosted visits by foreign dignitaries.

Inspired by Twain

Bagby is also a Mark Twain enthusiast. He does presentations — in full Twain costume and makeup — in which he interprets the great writer and storyteller, who once said: “Against the

assault of laughter, nothing can stand.” A philosophy Bagby seems to have embraced.

He recently added to his Twain credentials by winning the “I am the next Mark Twain” writing contest, sponsored by Borders Books and HarperStudio, for the conclusion he wrote to an unfinished Twain essay: “Conversations with Satan.” Bagby's effort topped 100 entries as the most fitting ending to Twain's satirical piece, and he performed a reading of his winning essay at his local Borders Books store.

After college and a newspaper job in Oklahoma, Bagby gained photography and business experience in New Mexico and Arizona. He then spent four years as the public information specialist for the Kern High School District in Bakersfield before joining Calcot.

Along the way, he has also helped CCA become what it is today: an organization of 350 cooperative communications professionals dedicated to raising the standards of their profession, and thereby strengthening the nation's cooperative business sector. He's been a key adviser in establishing the electronic and Internet presence of the association.

Bagby has served on the CCA board and as the association's president. He was inducted as one of the inaugural group of applicants into the Master Cooperative Communicator program.

Mark Bagby



Sarah Dorman



CCA instituted the Klinefelter Award in 1959 as a memorial to cooperative communications pioneer H.E. Klinefelter, a charter member of the organization.

Creativity key for Dorman

Dorman was cited for her creativity and attention to detail. “She sees the big picture and can translate it for her stakeholders,” said award presenter Marian Douglas of Flint Energies, the 2008 Graznak Award winner. Dorman was also saluted for being a “professional, class act” who helps to inspire others.

The Graznak Award is presented by CCA annually to a communicator under age 36 who “symbolizes accomplishments, contributions, competence and promise as a young cooperative communicator.”

Dorman, who earned a BA degree in mass communications/professional management from the University of Wisconsin–Superior, has been with West Central for eight years. She is responsible for overseeing public relations, advertising and both internal and external communications.

Jeff Stroburg, CEO of West Central, said: “Sarah has played a key role in our communication efforts with our membership and business partners. She clearly understands marketing and communications and works hard to deliver our message to cooperative

members and customers.”

Among the major recognitions Dorman has won are CCA’s Publication of the Year awards in both 2006 and 2007 for the annual reports she produced for West Central. Prior to joining West Central, she had never prepared an annual report or organized an annual membership meeting.

A member of CCA since 2001, she is chair of the 2010 Institute planning committee. She chaired the Programs and Projects section of the CCA Communications Contest for five years. Dorman has also served as chair and assistant chair of the Sponsorship Committee, as well as North Central Region representative.

Incorporated in 1933, West Central is a full service, farmer-owned cooperative and one of the 20 largest grain companies in the United States.

CCA created the Graznak Award in 1977 to honor the memory of Michael Graznak, an outstanding CCA member who died at age 51 of a heart attack while on field assignment for his cooperative, Farmland Industries.

Jordan wins pair of top contest awards

A record 817 entries in the CCA Co-op Communications Contest were judged by panels of experts in four overall categories: writing, photography, publications and programs/special projects. The top award winners were:

- Writer of the Year — Lani Jordan of CHS Inc., for a portfolio of her writing;
- Publication of the Year — Lani Jordan, for CHS’ 2008 annual report;
- Photographer of the Year — Jason Jenkins of the Association of Missouri Electric Cooperatives, for a portfolio of his work;
- Programs and Projects/Best of Class — Greg Brooks and Heather Maynard of Walton Electric EMC, for the co-op’s websites.

“Rural Cooperatives” magazine received two awards, both in the writing contest. Editor Dan Campbell won second place for feature writing for “Charting a New Course,” about a fishing cooperative in Maine, while Assistant Editor Stephen Thompson won third place for news writing for “So Far, So Good,” about a potato cooperative.

Brian Delgado of Land O’ Lakes Inc. was chosen as CCA president, succeeding Lisa Moorhouse of CHS Inc. Anita Travis of the Kentucky Association of Electric Cooperatives is the new vice president, Allison Morgan of Tennessee Farmers Cooperative is secretary and Amber Dumont of Maryland & Virginia Milk Producers Cooperative is treasurer.

For more information about CCA, visit: www.communicators.coop. ■



Dryland forage sorghum to fuel Texas biomass plant



Since most of the biomass is removed when sorghum silage is harvested, no-till or strip-tillage methods help retain organic matter and improve the soil. Four hybrid forage sorghum varieties are being tested for their potential as a feedstock crop. USDA photos by Dee Ann Littlefield

By Dee Ann Littlefield

Editor's note: Littlefield is a public affairs specialist with the USDA Natural Resources Conservation Service office in Henrietta, Texas.



n informal co-op of Texas farmers – working in conjunction with their local electric cooperative — is responding to America's growing demand for renewable energy.

Midway, Texas, farmer Buddy Alders and his power engineering partner, George King, recently broke ground to build a biogas plant that will be the first in the United States to use dryland forage sorghum to generate a sustainable supply of electricity.

The sorghum will be grown on idle farmland. Located near Leona, Texas, the Mustang Creek Biofuel Plant is expected to be up and running by early 2010.

The bio-methane produced when the sorghum is processed will be piped to generators that burn the gas

“We are excited to be a part of this landmark project,” says Mel Pinnell, HCEC manager. “Our goal is to provide our customers with more efficient, environmentally friendly electricity and this is a step in the right direction. I think it is important to have a diversified mix of energy sources, and this renewable resource will have an added benefit for our members.”

Accidental revolutionaries

Alders and King never intended to help revolutionize the energy industry; they just wanted to find a more efficient way to farm and ranch. A life-long conservationist, Alders went to the USDA's Natural Resources Conservation Service (NRCS) office in Madisonville, Texas, to toss around some ideas with local NRCS District Conservationist Floyd Nauls.

Alders was looking for some type of green energy — possibly wind energy — to power his ranching operation. Nauls suggested he visit Allen Smith, coordinator of Post Oak Resource Conservation and Development (RC&D), a branch of NRCS.



Farmer and entrepreneur Buddy Alders (right) and Allen Smith of USDA/NRCS watch as construction begins on the biogas plant site near Leona, Texas.

to produce 1 megawatt of electricity. Tex-La Electric Cooperative, the generation and transmission co-op that supplies power to Houston County Electric Cooperative (HCEC), is negotiating a contract to purchase the electricity, which HCEC will then distribute to power about 400 homes in its nine-county service area of east Texas.

After meeting with Alders and King, Smith was encouraged by their entrepreneurial spirit and went to work to identify the best way to achieve their goals of producing clean, green energy. Their combined research led them to Germany, where they toured biogas plants powered with feedstocks such as sorghum silage and corn silage.

“These plants are often called a ‘concrete cow,’” Smith explains. “The process mimics a cow’s digestive system. They take in the food source, the bacteria breaks down the cellulose and produces bio-methane.”

The plants appeared to be efficient, economically viable and to offer a solution for Alders’ and King’s energy goals. However, they didn’t want to use existing food crops as the energy source for their electric plant. They had another idea.

Using idle cropland

In USDA’s 2002 Census of Agriculture, more than 21 million acres in Texas listed as cropland was not being harvested. For economic reasons, many farmers had let their fields go fallow and only grazed livestock on it. This fallowed farmland has been deforested, and the rest has built up organic matter and nutrients in the soil, making it an ideal seedbed to plant a dryland crop such as hybrid forage sorghum.

“We chose this variety of hybrid sorghum because it will grow well in a wider variety of soils in a wider variety of climates than other crops,” Smith says. “It also uses much less water with less input costs.”

The group worked with MMR genetics, of Vega, Texas, to find a hybrid forage sorghum plant that will increase production volume and yield the most bio-gas.

“In this case, we want our cow to bloat,” jokes Smith. “The more gas we can produce, the more efficiency we get.”

Unlike food crops grown for energy production, the hybrid forage sorghum is a type of grass, so no valuable food sources are used to generate the electricity.

Currently, the informal farmers’ co-op has committed 2,400 acres to grow sorghum for the plant. The farmers are leasing the plant for now, with an option to buy it in the future. The 1-megawatt plant will consume two tons of silage per hour. Running 24 hours per day, seven days a week, the plant will require 17,520 tons of sorghum annually.

On average, each acre will produce 12 tons of sorghum. The extra acres in production will provide for crop rotation, with two years of feedstock stored at all times. The silage will be stored in silos at the plant site, where it will steadily feed the “concrete cow” in the non-stop production process.

Feedstock flexibility

Smith explains that many feedstocks could be used in this energy process. Ten years down the road, he says they may run across something that works better. But for now, the hybrid forage sorghum fits the bill.

“This is a landmark project for the United States and the ag industry,” says NRCS Texas State Conservationist Don Gohmert. “This has the potential to revitalize agriculture, as millions of acres that could no longer produce profitable commodity crops now have a new opportunity for income. And the entire process is based on very sound soil, water and crop production practices.”

Smith says that this system will build up organic matter in

the soil. Combined with more efficient tillage, such as strip tillage, this is a sustainable system that will build the nutrient profile of soils over time and reduce the need for commercial fertilizers, he explains.

The greenhouse gasses emitted in the process will be offset by their capture, and all of the byproducts produced in the process will go back into the cycle or be used offsite. The carbon dioxide produced from burning the bio-methane will be captured, and – along with the introduced nutrients, including poultry litter – will be used to grow algae, which will produce biodiesel. The biodiesel will then go back to the farmers who are raising the crops.

No water is used in the digestion production process. But because, on average, silage is 67 percent moisture, water is a byproduct. This water, with valuable minerals and nutrients left in the digestate, will be applied back to the land.

Storm runoff water will also be captured and used for plant sanitation and fire prevention. There are opportunities to capture other byproducts, such as heat, which can be used to heat water for hospitals, prisons and other facilities nearby.

Alders is also tapping wind energy for this project, which was part of his original concept. Two 150-kilowatt windmills were erected at the plant to improve the plant’s efficiency and help maintain electric production.

Future expansion & co-op ownership potential

Based on the expected revenue from this first plant, an economic analysis using the Regional Industry Multiplier System predicts an additional 137 jobs and 14 businesses will be created in the economic region from this project.

The original plan was to establish one plant, then expand the operation to include five plants around the area. However, investors say they see a potential for 50 plants in central Texas. The basic concept is to continue to use outside investors to build the plants, which would be leased to farmers, who would have a chance to buy interest in the facility and eventually own it.

Fuel for the plant in Leona will be provided by Alders and King, working as an informal co-op (a minimum of three members is required in most states to form a co-op), but they envision future plants operating with fuel provided by a formal growers’ cooperative which would meet the requirements of Texas’ co-op law, also qualifying for funding assistance.

If the number of plants does expand, the opportunity would also exist for producer cooperatives to own and operate the plants. In most cases, these planned cellulosic bio-gas plants would likely sell electricity to rural electric co-ops.

Smith points out that with every single generation, America is losing more and more farmers.

“This project could provide a new future for farming and energy in America,” he says. “This is a crop that will actually keep the next generation of farmers on the farm.” ■

Co-op Development Action

Hat Trick



Worker co-op members must wear three business 'hats'

By **Kim Coontz, Executive Director**

California Center for Cooperative Development

More than 85 people participated in a four-part webinar series in July, sponsored by CooperationWorks!, to learn how to create employment opportunities through cooperatively owned businesses. The sessions were taught by Tim Huet, an expert on developing worker-owned cooperatives, and Melissa Hoover, director of the Federation of Worker Cooperatives, who taught a section on her specialty: worker cooperative finance.

In a worker cooperative, members are simultaneously business owners, workers and managers, Huet said. These roles can be difficult to balance and conflicts can occur. Business owners focus on cutting costs (usually wages) to maximize their profits. Workers, on the other hand, desire the predictability and stability of high wages. Managers focus on long-term stability and growth.

Recognizing the importance of wearing the three distinctive “hats” associated with these business roles is important to success of a worker cooperative.

Huet stressed the importance of preparing a market study and feasibility analysis in the initial organizational stages of co-op development to make sure that the business has potential viability. Areas to consider that are somewhat unique to the worker cooperative include the biographies of would-be worker-owners. What do their credentials, education and prior work experiences bring to the organizational process and what will they bring to business success? He said that these elements will also be considered by project funders.

Financing creativity needed

Creative thinking is necessary when raising capital to start a worker cooperative, Hoover said. Outside investors and traditional financial institutions are usually difficult to tap for these co-ops, and worker-members usually lack substantial cash or assets.

The most successful sources of financing for worker cooperatives have been the cooperative community, cooperative loan funds and funders, and lenders with a social mission. Friends and people willing to wait for a return on their investment are also common sources of funding.

There was lengthy discussion about allocation of net income. After costs and expenses, net income must be identified based on whether it was generated by non-members or by members. Surplus is distributed to members as patronage and/or allocated as retained earnings to a collective account.

A portion of the patronage dividend is usually paid in cash to members (at least 20 percent must be paid in cash for the cooperative to receive the tax deduction), and a portion is allocated to member capital accounts as retained patronage. Patronage, even retained patronage, is not subject to corporate income tax.

Retained patronage is a good savings mechanism that allows the cooperative to distribute patronage in a way that avoids potential annual profit spikes and valleys.

Webinar format works well

The webinar format used for the course included use of supplementary materials, good visuals and time for dialog, questions and discussion. Supplementary materials for each webinar were e-mailed to participants before each session, along with a link to help participants with easy log-in access to the webinar.

Based on evaluations from the course, co-organizer Kate Smith with Keystone Development Center in York, Pa., said participants indicated that they “came away with a good understanding of worker cooperatives and how they are structured financially.” Another participant commented: “It gave me a picture of what kinds of problems might arise in setting up a co-op and suggestions on how to provide for handling those problems.”

Organizers were able to track participants so that comments and questions automatically identified the person, as well as their inquiry, on a sidebar visible on the computer screen.

Smith believes that the webinar format should be used for training in the future, and said the webinar format allowed people to participate who could not have afforded to travel. She added that CooperationWorks! would like to develop strategies to increase participant interaction for future training.

CooperationWorks! is a cooperative of 20 Cooperative Development Centers across the United States. For more information, visit: www.cooperationworks.coop. ■

Newsline

Co-op developments, coast to coast

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



A flower grower brings a splash of color to the Davis Farmers Market, in Davis, Calif., just voted the nation's best large-scale farmers market.

Consumers pick favorite farmers markets

American Farmland Trust conducted a contest this summer that allowed shoppers to vote for their favorite farmers market from among 860 nationwide that enrolled in the contest.

The votes were cast in three categories: large, medium and small markets.

The winners were:

- Large farmers markets: Davis Farmers Market, Davis, Calif. (3,032 votes);
- Medium farmers markets: Williamsburg Farmers Market,

Williamsburg, Va. (725 votes);

- Small farmers markets: Collingswood Farmers Market, Collingswood, N.J. (1,027 votes)

“By providing us with a place to purchase regional foods, farmers markets help keep farmers on the land so that they can continue to provide fresh food for our tables as well as community economic benefits and a wonderful place for all to gather,” says Gretchen Hoffman, communications coordinator for American Farmland Trust. “Throughout the campaign, thousands of people — along with bloggers and the media — were talking about the contest, helping to promote farmers markets on both the local and national level. We certainly went a long way toward reaching our goal of making a national splash about farmers markets and the farms they support.”

Idaho potato growers pursue anti-trust case

The Southern Idaho Potato Cooperative has filed a request with the United States Department of Justice seeking an investigation into allegations that a major buyer violated anti-trust laws. According to the Twin Falls (Idaho) “Times-News,” the cooperative, which represents about 300 potato growers in Idaho, alleges that the buyer terminated grower contracts that it approved earlier in the year. At the same time, cooperative officials say, company field men asked growers individually to sign joint-venture contracts that would give the buyer greater control of their operations, undermining the co-op.

The number of independent growers in the state has plummeted 51 percent

since 1997, the newspaper reported, noting that some have attributed the rise of a billion-dollar food processing industry — which serves the fast-food industry — as having led to the fall of small, independent growers. Independent growers who sign joint-venture contracts often hand partial ownership of their operations to the potato processor.

Vermont's City Market named top U.S. food cooperative

City Market/Onion River Co-op, Burlington, Vt., was awarded the National Cooperative Excellence Award for 2008 during the Consumer Cooperative Management

Associations (CCMA) Conference in Portland, Ore., in June. The award is bestowed to one food retailer each year in recognition of innovative products and services, outstanding member benefits, and service and growth in net sales and earnings.

City Market/Onion River Co-op has grown substantially since 2002, with more than \$24 million in sales and more than 10 percent growth per year. The co-op serves more than 2,500 members of all income levels with both natural and conventional groceries, with a particular focus on local products — offering thousands of local products to its customers.

Through innovative agreements with the city of Burlington, the co-op has been called a pioneer in community involvement and social responsibility. Participation in meals for senior citizens, consumer education, dedication to increasing access to healthy food for residents on food stamps, support for the Chittenden Emergency Food Shelf and the Committee on Temporary Shelter (COTS), are among the reasons the



City Market/Onion River Co-op in Burlington, Vt., won the National Cooperative Excellence Award for 2008, recognizing it for maintaining 10 percent annual growth in sales while also conducting exemplary community service, such as hosting events for senior citizens. Photos courtesy City Market

Onion River Co-op was called a model for community involvement and services.

“Achieving that level of success in a small community is impressive enough; achieving it while serving the community to such an extent is heroic,” is engraved on the award.

The Howard K. Bowers Fund Cooperative Excellence Award, bestowed during Onion River Co-op's 35th year in business, was accepted by City Market General Manager Clem Nilan. “This award validates the work that all of the co-op staff has done to effect change in our community and to make our members proud,” said Nilan. “One of the beautiful differences about co-ops is that we operate from a triple bottom line of social good, environmental good and fiscal excellence. Serving the community is not something we do when we have extra profit. It's our mission.”

The CCMA conference is an annual event organized by Cooperative Grocers' Information Network (CGIN), a membership organization founded to support the growth and

development of food co-ops. The award was presented by Kari Bradley, General Manager of Hunger Mountain Co-op in Montpelier.

Indiana co-ops form new feed business

North Central Co-op (NCC), Wabash, Ind., and Ag Plus, South Whitley, Ind., have created a 50/50 partnership to renovate and operate the latter's feed mill in South Whitley as a state-of-the-art facility. The new venture is called Synergy Feeds LLC. Construction is expected to be completed during the summer of 2010.

Brent Tracey, who has worked in the feed divisions of both co-ops, has been named general manager for the new company. According to Tracey, the new facility will be highly computerized and labor efficient. It will manufacture up to 200,000 tons per year of a full line of livestock feeds, including newly added capability to manufacture dairy feed.

“This is going to enable North Central and Ag Plus to be major players in the feed business for a long time,” says North Central CEO Darrell

Smith. "In changing times, it's critical that we be able to manufacture feeds as economically as possible. This new plant will be a great resource for livestock producers, as well as providing a good return on investment for the members of both of our co-ops."

Ag Plus CEO Jeff Mize adds: "It's going to be an outstanding partnership that will create opportunities we didn't have before. By combining our sales teams and equipment and by reducing expenses, it will result in synergies for the feed business of both companies."

After the new mill is completed, feed manufacturing operations at Ag Plus's Raber location and North Central's two current feed mills in Fremont and LaFontaine will cease.

USDA offering \$18 million in Value-Added Producer Grants

Agriculture Under Secretary for Rural Development Dallas Tonsager is urging farmers, ranchers and business owners to apply for \$18 million in USDA grants to help them add value to the commodities they produce. "Last week, Agriculture Secretary Tom Vilsack announced that USDA plans to award approximately \$18 million in value-added grants nationwide. We want to ensure that producers file their applications promptly so they can potentially take advantage of this important program," Tonsager said while attending Value-Added Agriculture Day during the 2009 South

ways, or merge agricultural products with technology in creative ways. Businesses of all sizes may apply, but priority will be given to operators of small- to medium-sized farms operating as a family farm (those with average annual gross sales of less than \$700,000).

Applicants must provide matching funds equal to the amount of the grant requested. Ten percent of the funding being made available is reserved for beginning and socially disadvantaged farmers or ranchers. An additional 10 percent is reserved for projects involving local and regional supply networks that link independent producers with businesses, and cooperatives that market value-added products.



Kenny Mattingly used a Value-Added Producer Grant to launch Kenny's Cheese in Austin, Texas, which produces 25 varieties of cheese. Most sales are made at farmers markets or in-store demonstrations.

Although the major portion of Synergy's production will be for large livestock producers, smaller producers will still be able to obtain bulk deliveries by notifying the company at least a day in advance. Bagged feed will also be available at a number of locations. Tracey said that the cost of delivery will not increase.

The new company will be overseen by a board of four governors, two from each co-op. "This is an opportunity to put together a team and build a feed mill we'll really be proud of," notes Tracey. "We'll be able to manufacture high-quality feeds as efficiently as anyone in business today."

Dakota State Fair in September.

The event is an opportunity to inform the public about value-added agriculture and showcase the state's latest developments in the area.

The national application period for USDA Rural Development Value-Added Producer Grants closes Nov. 30, 2009. For more information on how to apply, producers should visit: www.rurdev.usda.gov/rbs/coops/vadg.htm.

USDA will award planning grants of up to \$100,000 and working capital grants of up to \$300,000 to successful applicants. Applicants are encouraged to propose projects that use existing agricultural products in non-traditional

Paper applications must be submitted to the Rural Development state office in the state where the project will be located. A list of state offices is available at: www.rurdev.usda.gov/recd_map.html. Electronic applications must be submitted through www.Grants.gov.

Montana landowners to build wind-power project

Agri Energy LLC, a Montana-based LLC formed by five landowners, has announced plans to build a utility-scale, landowner-driven community wind project in north-central Montana. The landowners are preparing to respond to a request for proposals from

Northwestern Energy — the area's major power distribution utility — for projects that can supply it with 55 to 75 megawatts of renewable energy.

Montana Farmers Union, which played a major role in the formation of Agri Energy, said it hopes that a series of half a dozen community meetings will result in more landowners joining, or forming, similar co-op-type associations to ensure local ownership of renewable energy dollars generated in Montana.

“Right now there is a great deal of concern among farmers and ranchers here about income derived from renewable energy in Montana being lost out of state, while landowners receive only a small fee for land leases,” says Chris Christiaens, Montana Farmers Union project specialist. “This way, all farmers and ranchers within the footprint of a wind project would receive a fair share of the income generated, even if the power lines do not run over their land.”

“When the Montana Farmers Union approached us about the concept of landowner-driven, community-wind projects, we jumped at the chance to become involved,” says Jerry McRae, a spokesperson for Agri Energy LLC. “There is a great deal of confusion in the marketplace surrounding wind resource development, so we decided to take matters into our own hands to control our own destiny.”

With help from MFU, the landowners engaged the services of Praxis Energy Group LLC, based on its history of assisting communities and regions with economic development, job creation and strategic alliances.

Christiaens says the effort to bring wind development to Montana's rural areas is timely, as farmers and ranchers struggle to stay solvent in the face of high energy and fertilizer prices. “Wind energy and local development is extremely important as a source of income, as well as energy for that farmer/rancher.”

Farmers, ranchers, businesses and towns can form cooperatives to help raise capital for wind power

development, which also keeps profits close to home, he says. “It could then be community-owned, and it could be a source of income for the community, for the farmer, and also be providing electricity for them.”

Court approves Humboldt sale

The U.S. Bankruptcy Court in Santa Rosa, Calif., has approved a \$19.5-million bid made by Foster Farms Dairy of Modesto, Calif., for Humboldt Creamery. Foster Farms is the largest independent dairy in the state, so the action ends Humboldt's 80-year history of operating as a producer-owned business.



The ice cream manufacturing line at Humboldt Creamery, where operations are now under the ownership of Foster Farms.

The move allows Foster Farms to expand its line of organic dairy products. It plans to continue to use the Humboldt Creamery brand.

The co-op's distressed financial status was discovered last year when longtime CEO Rich Ghilarducci abruptly resigned. The FBI is investigating.

While some in the community said they felt Foster Farms was a good company, others had a hard time accepting that farmers had lost control of their former co-op.

“It's a sad day for Humboldt County,” Dennis Leonardi, former

board president, told the “Times-Standard” newspaper. “We're going to lose an 80-year-old company that's been part of the bread and butter that this community has been built on down here in Ferndale. ... It's another old-growth tree falling that isn't going to grow again.”

The “Times-Standard” reported that co-op members had initially hoped to put a bid in on the company in an attempt to buy it out of bankruptcy and retain ownership, but were unable to secure financing in a tight credit market.

The creamery had been 75 percent owned by a cooperative of 40 dairy farmers, and 25 percent by Dairy Farmers of America.

CWT accepts third herd retirement of year

Cooperatives Working Together (CWT) announced Aug. 5 that it had tentatively accepted 294 bids in the third herd retirement of the past nine months. The 86,710 cows and 1.8 billion pounds of milk accepted in this round, combined with CWT's previous two herd retirements, equal 4.8 billion pounds of milk removed since December 2008.

This is the second-largest herd retirement since the farmer-funded self-help program started in 2003. The previous retirement round, completed in July, removed a record 101,000 cows and 1.96 billion pounds of milk.

“These two summer 2009 herd retirements, combined with the USDA's recent price support increases, should result in very positive movement in dairy farmers' milk prices,” says Jerry Kozak, president and CEO of the National Milk Producers Federation (NMPF), which administers CWT.

Farmers in 38 states submitted 312 herd-retirement bids last month to CWT. This eighth CWT herd retirement in the past six years was also the first to feature a maximum acceptable bid threshold of \$5.25 per hundredweight. It was also the quickest herd retirement following a previous round, which is an indication “that

there is still an interest on the part of our members to use CWT to remove more cows, even though the program has been very active in 2008 and to date in 2009,” notes Kozak. This round is removing 3,104 bred heifers.

About 73 percent of the farms selected are located east of the Mississippi River, while 70 percent of the 87,000 cows to be retired come from the Western and Southwest regions.

“The increase in the percentage of farms selected east of the Mississippi in this herd retirement compared to the one just completed is an indication that the financial distress farmers are feeling is not unique to one or two regions of the country, but being felt nationwide,” says Jim Tillison, CWT chief operating officer.

Both the average herd size (296 cows) and the average production per cow (20,884 pounds) are the highest of any of the eight herd retirements CWT has carried out, indicating that “these are not just small farms with low-end cows that would have soon been gone anyway,” Tillison says.

In related action, more than half a dozen U.S. dairy farm organizations met in Chicago in July to review concepts designed to improve dairy farm prices and offer long-term solutions to the economic volatility afflicting farmers across the country. NMPF’s new Strategic Planning Task Force hosted the meeting to look at “both how the current milk price crisis developed, and how best to reduce the chances that a similar situation could arise in the future,” says Kozak.

The Task Force spent much of one day reviewing a plan to manage milk supply growth by assigning production bases to farmers — a program endorsed jointly by the Holstein Association USA, the Milk Producers Council and Dairy Farmers Working Together. Representatives from each of those organizations discussed how such a program would work and how it would have to be implemented legislatively in order to make it mandatory for all dairy farmers.

Generosity by local farmer cooperative is appreciated

Editor’s note: this editorial is reprinted from, and courtesy of, the Walla Walla (Washington) “Union-Bulletin.” This local co-op’s action epitomizes the co-op principle of co-ops giving back to their communities.

By the *Union-Bulletin* Editorial Board

Folks who live in the Walla Walla Valley are generous. That’s demonstrated every day as neighbors reach out to each other in so many ways.

Still, what Northwest Grain Growers — a farmer-owned cooperative — did to celebrate a successful financial year is pretty special.

The Grain Growers, which had its best financial year, donated \$100,000 to a



variety of organizations and nonprofit groups.

The donations are needed now more than ever because of the current economic downturn. Money is tight all over and some folks are losing their jobs and houses. Local charities are feeling the pinch.

The Grain Growers put about 60 percent of its donations toward local agencies, most of which help those in need. About 40 percent was earmarked toward programs that directly benefit farmers.

A committee appointed by the NWGG board of directors decided how to divide \$59,900 among various local agencies and groups. Those receiving a donation were: the Blue Mountain Action Council, Blue Mountain Chapter of the Red Cross, Children’s Home Society of Walla Walla, Christian Aid Center, Helpline, The Cardinal’s Nest of Waitsburg, Walla Walla Council of Campfire USA, Walla Walla Community Hospice, Center at the Park and YWCA.

The NWGG board earmarked \$40,100 for education programs that help farmers. The money went toward seed-breeding programs at Washington State University and Oregon State University and a commercial driver-training program for farmers at Walla Walla Community College.

The donations given by the Grain Growers will benefit its members, but it will also benefit the community.

The Grain Growers’ members, of course, don’t expect praise for their generosity. Nevertheless, they deserve it.

NWGG’s gift to so many during these difficult economic times will certainly help people get back on their feet and ultimately prosper. Northwest Grain Growers is a great neighbor.

The Task Force also heard presentations from other farm policy organizations about their perspective on the dairy crisis, including the National Farmers Union, the National Farmers Organization, the American Farm Bureau Federation and Western United Dairymen. The Task Force was to meet again in August.

Ontario groceries form co-op to promote sale of local food

Five owners of Sobeys grocery store franchises in southwestern Ontario have broken away from Sobeys and formed a co-op in order to buy more local products. "On Co-op," the newsletter of Ontario's provincial co-op association, reported that the Independent Hometown Grocers Co-op was created after the franchise owners, who operated nine Sobeys grocery stores, decided to go independent in an effort to sell local food. They say Sobeys policies had required the stores to source only federally inspected meat, which came primarily from Alberta and the United States.

"We feel that local food, local presence, is huge in our market and we wanted to take advantage of that," Dale Kropf, owner of five of the stores, told "On Co-op." The stores have retained their wholesale relationship with Sobeys for such items as dog food, spices and breakfast cereals, but are now selling provincially inspected meat supplied by area farmers.

Correction

The last name of Albert Iaroi, a sociologist at Kansas State University, was misspelled in an article about the impact of multifunctional agriculture on biofuels development that ran in the July-August issue of "Rural Cooperatives."

Frederick awarded NSAC's Silver Bowl

The National Society of Accountants for Cooperatives (NSAC) has bestowed its highest honor, the Silver Bowl award, to Donald Frederick. NSAC

awards a Silver Bowl "to individuals who have distinguished themselves over a period of years by services, which have enhanced, to an unusual degree, the image and operations of the National Society of Accountants for Cooperatives and the cooperative community in general."

Frederick is the 45th recipient of the Silver Bowl in the 49 years since the award was established in 1960. The presentation occurred during NSAC's Annual Tax and Accounting Conference for Cooperatives, held in Seattle, Wash., in August.

Frederick is a long-standing member of NSAC's Tax, Small Cooperative, and Education Committees. He was the first chair of NSAC's National Program Planning Committee. He also held several offices with NSAC's Capitol Chapter, including president for 1990-1991.

Frederick served as program leader for Law, Policy and Governance for USDA Rural Development's Cooperative Programs before retiring in 2007. He now supports NSAC in the role of director of education.

New co-op law book published

Charles T. Autry and Roland F. Hall have co-authored a new book: *The Law of Cooperatives*, which provides insight of cooperative law and how this form of business differs from other business entities. The book, published by the American Bar Association Business Law Section, provides an overview that includes: the history of the cooperative form of business; a comparison of the cooperative entity with other business entities; guidelines about when to use this form of business; discussion of types of cooperatives and cooperative structures; an outline of the operation and governance of cooperatives and tax implications of a cooperative.

"As our economy changes, we're seeing an increased interest in cooperatives across a wide range of industries, from healthcare and renewable energy to broadband services," says Autry.

As a founding partner of Autry,

Horton & Cole of Atlanta, Ga., Autry has focused his career for the past 30 years on representing cooperatives, with an emphasis on electric cooperatives and their natural gas affiliates. He serves as counsel to several cooperative boards. Hall's practice includes representing electric cooperatives and related entities regarding corporate law; finance and regulatory matters, among other legal areas.

USDA grants help handicapped farmers

U.S. Agriculture Secretary Tom Vilsack has announced that USDA is awarding \$4.1 million in grants to 22 states to help farmers with disabilities through the AgrAbility program, which helps thousands of disabled people overcome barriers to continuing their chosen professions in agriculture.

In Wisconsin, the University of Wisconsin-Madison's AgrAbility program will receive \$199,000. "Given the right resources, farmers with disabilities can run productive and profitable farms," Vilsack said. "The AgrAbility program can provide the resources and tools producers need to enhance their quality of life and be successful."

USDA's Cooperative State Research, Education and Extension Service awards the funds to land-grant universities that have joined with nonprofit disability organizations to address the specialized needs of AgrAbility's customers. Projects include educating professionals on how to assist those with disabilities and directly training disabled agricultural workers. The program has improved customers' financial stability, access to life activities and the ability of states and regions to deliver timely services to those with disabilities.

Since initial funding in 1991, CSREES has awarded grants to more than 30 states resulting in on-farm assistance to more than 12,000 farmers while educating thousands of professionals on how to accommodate those with disabilities in agriculture. ■

Honey co-op buzzing in Chicago

continued from page 13

“I like honey, and if it makes me a little less miserable this August, it’ll be worth it,” says Andrew McComb, 23, who sampled the honey and bought a few jars from the co-op at a Chicago green market early in the season. McComb says the local honey bolsters his immunity against summer allergens, which he believes is because the bees use pollen from local flora.



Smokers are used to calm the bees, enabling honey to be collected. The co-op is one of a number of new, urban farming operations around the country. Photo by Kellen M. Henry

The co-op is able to charge a higher price for its honey than retail grocery stores because the honey is local and chemical free, says Barton.

“I don’t think we would have been as successful as we are if the [local food] movement wasn’t growing strongly,” Barton says.

“Some kind of miracle”

A strong start during the co-op’s first season in the summer of 2003 helped Chicago Honey gain momentum. The founding co-op members started with 40 hives that year, but affiliations with nonprofit groups made it possible for it to save money.

“Once you have a hive, there’s no stopping it,” Thompson says. “We actually saw \$28,000 [by 2004], and that was some kind of miracle for us.”

Since then, it has managed to stay in the black by hiring only a few employees, varying by season. The majority of its expenses are for bees and honey jars, Barton says.

Low overhead costs have also helped Chicago Honey thrive. Much of the production is done in warehouse space

loaned to it by a co-op member. The old Sears property the hives sit on is owned by Partnership Independence Fillmore LLC, a land developer, which allows the co-op to rent the property at an affordable rate until it is ready to redevelop the land.

Mark Ross, one of the property owners, says he was attracted by the co-op’s focus on job training, especially for formerly incarcerated individuals. The co-op received some workforce development aid from nonprofits to teach the clients beekeeping and other types of agriculture.

“It was a request that didn’t seem to have an adverse effect on the property,” Ross says. “I don’t know that it’s the highest and best use, but I think it’s a great use. I liked the idea that they were doing job training and trying to give people a hand.”

The co-op also operates a community garden next to the apiary, where anyone can grow vegetables, as long as no chemicals are used because they could harm the bees.

Expanding on-line marketing

While optimistic about their co-op’s sustainability, members are looking for ways to improve profits by growing beyond the traditional markets. Barton has been working to increase the co-op’s on-line presence using social networks such as Facebook, Twitter and its own blog to maintain relationships with customers through the winter and tell them about events such as beekeeping classes. It also sells on its own website and through on-line artisan marketplaces, such as Etsy.com and 1000markets.com.

Chicago Honey’s sales have been increasing every month this year compared with the same month last year. Still, the co-op wants to grow so that it can pay its employees a higher wage while mentoring more trainees, Barton says. Eventually, the co-op would like to set up a parallel, nonprofit educational entity to help with the job training and to take the financial burden off the honey business.

The co-op is looking at new business endeavors, such as producing a honey mustard it has developed and other value-added food products, but it needs access to a commercially certified kitchen space. The co-op is also giving more tours to school and agri-tourism groups, but these offerings come with additional pressures and require more employees.

For now, Thompson says the focus is on providing quality honey while staying on track financially and fulfilling its founding principles: to create a self-sufficient business, to produce a nourishing and delicious product and to reach out to the community with job training.

“This is may be my old-fashioned approach, but I’m not interested in a big loan or a big investment, and I don’t want to be in debt to make this business work,” says Thompson, who has kept bees since he was 12 years old.

“I get paid \$10 an hour, but I’m not so concerned about that. This is a labor of love.” ■



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NEW from USDA

Three new publications offer information to cooperatives looking to break new ground

A Guide for the Development of Purchasing Cooperatives: CIR 64

– Rural communities can often greatly benefit from the institution of purchasing co-ops. This publication offers information on organizing and operating a sustainable purchasing cooperative.

Cooperative Approaches for Implementation of Dairy Manure Digesters: RR-217

– High costs and low returns often discourage dairy farmers from using anaerobic digesters. A cooperative approach may offer lower costs and better profitability while letting each farmer concentrate on milk production.

Selecting a Cooperative Membership Structure for the Agriculture-of-the-Middle Initiative: RR-216

– Many medium-sized farms are suffering a squeeze because they are not big enough for economies of scale and not able to take advantage of niche markets. This report explores cooperative approaches to survivability for farms of the “disappearing middle.”



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