Survey shows co-ops remain vital for members

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Co-ops: an extension of your farm business — or your other business?

By Ramsey Margolis
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Editor’s note: Margolis is a writer, speaker and cooperative business development strategist and founder of Huia CDS, a consulting business in Wellington, New Zealand. He served as executive director of Cooperative Business New Zealand from 2006 to 2013. This article is slightly adapted from one that originally appeared in “Real Farmer,” published by Ruralco.

“I only sell the co-op half of what I produce; that way I keep them honest.”

The above words were spoken by a member-owner of a small cooperative during its annual meeting. He didn’t realize that he was shooting himself in the foot, and it should come as no surprise that neither the cooperative nor its member-owners were doing very well. Not only did that shareholder’s actions reduce his own income from the cooperative, but that year every member lost out.

Put simply, he wasn’t engaged enough to know that the cooperative was his business, and he did not realize its importance to his own success.

Speaking to people about cooperatives, one of the first questions I often ask is this: “Is your cooperative an extension of your business, or is it your other business?” How would you answer that?

Farmers in New Zealand are generally involved with more than one cooperative, and the answer will be different for each. They may get supplies from one cooperative and fertilizer from another, and it’s likely that they are involved in an irrigation cooperative as well. They might also be marketing their products through a cooperative, such as a dairy co-op, a fruit growers’ co-op or a meat co-op. They may well get insurance from a mutually owned insurance business. Their relationship to their co-ops is very similar to that of producers in the United States.

Because farmers are usually more involved with some cooperatives than others, whether a cooperative is viewed as an extension of their business or as their “other business” will differ according to how important a particular cooperative is to their farm or ranch — their primary business.

But one thing that is true for all the cooperatives with which members trade is that, as one of the shareholders of a co-op, they need to look after their co-op(s) with as much care as their primary business.

Whether in New Zealand or America, cooperatives help your farm by providing the supplies and services you need for the business to run economically; at the other end of the process, your co-op gives you competitive returns for what you produce.

As farmers and growers, you use a co-op as your business because you want a self-help solution to a business opportunity. Collaborating with others as part of a cooperative offers that opportunity, whereas on your own, you just can’t achieve the success you’re looking for.

In a cooperative, you will find genuine democratic control of the business. The benefits you receive throughout the year, as well as at the end of each year, are based on your participation.

Cooperatives are not profit-maximizing entities for themselves. Rather, they either buy inputs as cheaply as possible and sell to member-owners as cheaply as possible, or they pay the highest possible price for your produce, then sell it for as much as possible.

In short, co-ops are in business to maximize the profits of their shareholders’ primary businesses, while the cooperative itself is profit conscious — aiming to do better than break even. Otherwise, member-owners would need to support their co-op if it were to incur a loss.

In “accountant speak,” member benefits derived from belonging to a cooperative are “above the line.” Co-ops are in business to serve the needs of member-owners by ensuring availability of services. They strive to provide better levels of service with either lower charges or higher payments. A cooperative might also act as the representative of member-owners in a particular industry.

Cooperatives are in business for the long run, and while most people support their cooperatives through thick and thin, sadly not all do. Cooperatives build up the muscle they need to support all members by getting maximum support from all of them. As a co-op member, remember that you’re one of the owners, that you have a say in how that business is run and that the prosperity of your cooperative is as important to you as the prosperity of your farm.
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K. Charles Ling

ON THE COVER: “I see a bright future ahead if we can continue to react positively and swiftly to the needs of farmers in Tennessee and the other states we serve,” says dairy farmer Stephen Philpott, a director with Tennessee Farmers Cooperative (TFC). His co-op has launched initiatives to help members incorporate new technologies on their farms — just one way co-ops are staying relevant. See page 14. Photo by Chris Villines, Courtesy TFC
The aronia berry is a small purple berry that has been getting a lot of “good press” lately, causing U.S. producers and consumers to pay a great deal more of interest to this fruit that has long been grown commercially only in Europe, even though it is native to North America.

That’s because the little berry packs a big nutritional punch, being rich in antioxidants. The aronia berry is tart and dry and grows on shrubs, similar to blueberries. Berries can be transformed into a large variety of products, including juices, teas, sauces, jellies, natural colorants and nutritional supplements.

The berries are being grown by increasing numbers of farmers in the Midwest, and the demand for the fruit is growing. The North America Aronia Cooperative was formed in 2014 to develop a network of growers who can jointly promote, educate and share resources among the members.

The aronia cooperative now has

*Editor’s note: Portions of this article were excerpted and adapted from the website of the North America Aronia Cooperative.*
members in seven states and Canada, including South Dakota, Nebraska, Iowa, Wisconsin, Missouri, Minnesota, Illinois and Quebec. The cooperative is the largest source for U.S.-grown aronia berries, with the potential to supply about 20 million pounds of fruit annually.

The co-op just received a $200,000 Value-Added Producer Grant (VAPG) from USDA Rural Development to use as working capital needed to assist the co-op in developing new markets and grow its sales.

“The grant funds will be used primarily for marketing and processing value-added aronia products to position the co-op to partner with food and beverage companies,” says Colleen Nipp, chairman of North America Aronia Cooperative.

Grants to help 247 producers

The berry co-op is just one of 247 recipients, announced in August, of $25 million in VAPGs from USDA Rural Development. These investments will help recipients, including farmer cooperatives and producer-owned limited liability companies (LLCs), expand operations to turn commodities into value-added products.

Agriculture Secretary Tom Vilsack made the VAPG awards announcement during a visit to Miles Smith Farm in Loudon, N.H., a recipient of a VAPG. The program helps agricultural producers grow their businesses by turning raw commodities into value-added products, expanding marketing opportunities and developing new uses for existing products.

“The funding we are announcing will have far-reaching, positive impacts in rural communities across the country,” Vilsack said. “The investments will help businesses create new products, expand their operations and support local and regional food systems. The new Farm Bill expands this program to provide even more of these opportunities.”

By helping farmers and ranchers turn commodities into value-added products, producers can take better advantage of new markets and keep more dollars generated from the sale of their products at home, supporting their local communities.

VAPGs worth more than $2.5 million were awarded to 20 producer-owned co-ops.

Other co-op recipients include Idaho’s Bounty Co-op Inc., which received $48,000 to pay labor, marketing and distribution costs to market and deliver local, sustainably produced meat, eggs, poultry, fruit, vegetables and added-value products to new demographic and geographic regions not previously served by the co-op.

Pacific Coast Producers in California will use its $200,000 VAPG to help develop a new sliced-tomato product line. Heartland Cooperative Services will use its $200,000 VAPG for value-added marketing activities that will expand sales of omega-3 milk for cheese.

Since 2009, USDA has awarded 863 Value-Added Producer Grants totaling $108 million. About 20 percent of the grants and 16 percent of total funding has been awarded to beginning farmers and ranchers.

The 2014 Farm Bill increases mandatory funding for the program from $15 million to $63 million over five years, while also reauthorizing an additional $40 million in discretionary funding. The grants can be used to support local and regional food systems, further the development of the growing bio-economy, or to finance the distribution of local and regional products, among other uses.

Miles Smith Farm received a $127,000 VAPG to market and produce burgers made from 55 percent grass-fed beef and 45 percent organically raised pork. Mixing the two meats creates an ideal fat and flavor level that grass-fed ground beef does not have alone.

Value-Added Producer Grants are an element of USDA’s Know Your Farmer, Know Your Food initiative, which coordinates USDA’s work to support local and regional food systems. View a full list of VAPG recipients at: www.rurdev.usda.gov.

Editor’s note: Portions of this article are excerpted and adapted from the website of the Side Hill Farmers’ Cooperative.

Until recently, most beef and other meats raised in the Madison County area of central New York were shipped out of state for slaughter, eventually winding up on dinner plates in New York City. So when the Side Hill Farmers Cooperative was formed eight years ago, the driving concept was to add value to its products and market them locally. With 40,000 people within a 60-mile radius of its production area, there were plenty of “local plates” to fill.

Thanks to an active Agricultural Economic Development program, many new farmers have moved to Madison County, looking for opportunities to produce and market their livestock and produce. The Side Hill Farmers members hoped their co-op would not only help improve the fortunes of the members, but also provide opportunities to their increasingly diverse

Side Hill Farmers Co-op markets local meat through own retail outlet

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farming community and boost the overall regional ag economy.

The initial focus was for the co-op to open a local slaughter facility. But about that time, an existing local slaughter plant re-opened, so that need became less pressing. The members decided instead to use the co-op “to create vehicles that would allow farmers to control their own product, from seed to plate.” Side Hill Farmers Meats & Market in Manlius, N.Y., is just such a vehicle, a retail shop with local product — meat, dairy, grains, produce and dishes that combine them — sourced from nearby farms.

The operation centers on a “craft butcher shop,” which does butchery (but not slaughtering) and whole-animal utilization of beef, pork, lamb and poultry. All meat sold in the store is local and natural (raised without administered hormones or prophylactic antibiotics).

“We also do our own smoking and cooking of bacon, hams, and deli meats,” says Greg Rhoad, the managing chef at Side Hill Farmers Meats & Market. All parts of animals are used, with cuts going into the meat cases or into prepared dishes, sauces and soup stocks, as well as ready-to-eat deli sandwiches and soups. The co-op does its own curing and dry-aging of meats and offers both grass- and grain-finished beef. Product offerings in the store have been expanded to include eggs, yogurt, milk and cheese, among others.

**Business ahead of projections**

A year and a half after opening, Rhoads says business has been “exceptional — surpassing all our projections.” Second-year revenue is up 33 percent to date from the strong opening year. There is great potential for further growth, and the $200,000 Value-Added Producer Grant (VAPG) the co-op recently received from USDA Rural Development will be used to expand consumer awareness of its meat products and to develop systems that will make the retail operation

*continued on page 34*
### Co-op recipients of 2014 USDA Value-Added Producer Grants

<table>
<thead>
<tr>
<th>STATE</th>
<th>AWARD RECIPIENT</th>
<th>AWARD AMOUNT</th>
<th>PROJECT DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>North Leupp Family Farms</td>
<td>$26,268</td>
<td>Rural Development funds will be used to determine the feasibility of the farmer cooperative producing blue cornmeal from Navajo corns, providing cold storage and establishing a mobile market to sell products locally on the Navajo Nation.</td>
</tr>
<tr>
<td>Arizona</td>
<td>San Xavier Cooperative Association</td>
<td>$52,206</td>
<td>Rural Development funds will be used to determine the feasibility of the farmer cooperative producing various types of flour, providing cold storage and establishing a central market to sell products locally.</td>
</tr>
<tr>
<td>California</td>
<td>Pacific Coast Producers</td>
<td>$200,000</td>
<td>Rural Development funds will be used to help fund the development of a new, meal-ready sliced canned tomatoes product line.</td>
</tr>
<tr>
<td>California</td>
<td>Blue Diamond</td>
<td>$200,000</td>
<td>Rural Development funds will be used to offset the high costs of an international market introduction and will be spent on freight, processing and personnel costs necessary to ensure this venture’s success.</td>
</tr>
<tr>
<td>California</td>
<td>Challenge Dairy Products, Inc.</td>
<td>$200,000</td>
<td>Rural Development funds will be used to help with grocery slotting fees to offset the high costs of new market introduction of New Cream Cheese.</td>
</tr>
<tr>
<td>California</td>
<td>Sunsweet Growers Inc.</td>
<td>$200,000</td>
<td>Rural Development funds will be used to increase grower returns through the processing and marketing of D’Noir Prune Juice.</td>
</tr>
<tr>
<td>Georgia</td>
<td>Michigan Blueberry Growers Association</td>
<td>$200,000</td>
<td>Rural Development funds will be used to help the blueberry growers pay for processing costs at the packing plant in Georgia.</td>
</tr>
<tr>
<td>Idaho</td>
<td>Idaho’s Bounty Co-op, Inc.</td>
<td>$48,000</td>
<td>Rural Development funds will be used to pay labor, marketing and distribution costs to market and deliver local, sustainably produced meat, eggs, cheese, poultry, fruit, vegetables and added-value products to demographic and geographic regions not previously marketed to by the producers in Idaho's Bounty Co-op.</td>
</tr>
<tr>
<td>Indiana</td>
<td>Hoosier Harvest Market LLC</td>
<td>$50,000</td>
<td>Rural Development funds will be used to expand the marketing capabilities of this cooperative food hub and the farmers it serves.</td>
</tr>
<tr>
<td>Iowa</td>
<td>North American Aronia Cooperative</td>
<td>$200,000</td>
<td>Rural Development funds are made available to agricultural producers seeking to establish or expand markets for their value-added agricultural products and to provide critical working capital to assist in developing new markets and growing sales.</td>
</tr>
<tr>
<td>Maryland</td>
<td>Garrett Growers Cooperative, Inc.</td>
<td>$16,115</td>
<td>Rural Development funds will be used to hire a coordinator and delivery personnel to expand the market area of Garrett Growers Cooperative, to sell fresh produce to new outlets in and around Garrett County, expand the amount of produce sold to current outlets, and to develop a cooperative Community Supported Agriculture (CSA) service.</td>
</tr>
<tr>
<td>Maryland</td>
<td>Chesapeake Fields Farmer’s Cooperative</td>
<td>$33,370</td>
<td>Rural Development funds will be used to hire a co-op manager to expand customer and member base.</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>Ocean Spray Cranberries, Inc.</td>
<td>$200,000</td>
<td>Rural Development funds will be used to assist with processing costs to produce 100,000 cases of PACT, a new beverage platform, using natural cranberry extract.</td>
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<tr>
<td>Minnesota</td>
<td>Stones Throw Agricultural Cooperative</td>
<td>$49,950</td>
<td>Rural Development funds will be used for expansion of a marketing and distribution cooperative serving immigrant farmers and other beginning farmers.</td>
</tr>
<tr>
<td>Missouri</td>
<td>Ozark Famers Agricultural Cooperative (OFAC)</td>
<td>$50,000</td>
<td>Rural Development funds will be used to assist with the cost of a feasibility study for a food hub and distribution center in West Plains, Mo., which will serve consumers in both Missouri and Arkansas.</td>
</tr>
<tr>
<td>New York</td>
<td>Side Hill Farmers Cooperative, Inc.</td>
<td>$199,426</td>
<td>Rural Development funds will be used to expand consumer awareness of Side Hill Farmers Cooperative branded beef and pork products, which are marketed through the co-op’s retail store.</td>
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<tr>
<td>Pennsylvania</td>
<td>Penn’s Corner Farm Alliance</td>
<td>$49,800</td>
<td>Rural Development funds will be used to help pay for UPC codes, processing, marketing and labeling costs associated with ongoing development of a value-added product line. Canned tomatoes, salsas, jams, sauerkraut and pickles are some of the items that will be produced for both CSA and retail outlets.</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>Heartland Cooperative Services</td>
<td>$200,000</td>
<td>Rural Development funds will be used for value-added marketing activities associated with expanding the sales of omega-3 milk for omega-3 cheese.</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>Westby Cooperative Creamery</td>
<td>$200,000</td>
<td>Rural Development funds will be used to expand the product line and market organic Greek yogurt. Greek yogurt has about double the protein and a much different nutritional profile compared to regular yogurt. Organic Greek yogurt offers higher margins and prices, positively impacting the sustainability of this 111-year-old farmer co-op.</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>Fifth Season Cooperative</td>
<td>$197,696</td>
<td>Rural Development funds will be used to support custom processing, labor and other working capital and marketing needs as it expands its IQF (individually quick frozen) vegetable blends to institutional market channels.</td>
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**Total Award Amount:** $2,572,831

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There was much to celebrate all across the United States during National Cooperative Month in October. The U.S. co-op business sector, after all, is thriving, generating about $650 billion in annual sales and accounting for more than 2 million jobs. Agricultural co-ops alone generated a record $246 billion in revenue and had record net income of $6.2 billion in 2013. And ag co-ops increased their number of full-time jobs by 5 percent.

But the cooperative business model remains a “best-kept secret” for far too many people who could be benefiting from membership in co-ops. It is thus imperative that everyone involved with cooperatives make co-op education and outreach a major priority in the year ahead. That was one of the primary messages of a National Co-op Month forum at the National Press Club in Washington, D.C., Oct. 22, sponsored by the National Cooperative Business Association (NCBA).

I was invited to be one of the speakers at this gathering, during which I used the opportunity to issue three challenges to our nation’s cooperatives and those who work with co-ops:

• Look to forge new partnerships that can advance the cooperative sector;
• Strive to innovate, always looking for new ways to make your co-op a better resource for its members and their communities;
• Don’t be afraid to take some well-calculated risks.

I grew up on a farm in Iowa, drinking milk from the Swiss Valley cooperative and where we depended on co-ops for our animal feed, farm supplies and our electricity. So I know how vital co-ops are to rural people and of their potential to help even more people. There are historic opportunities for the growth of co-ops in America, and co-ops have a role to play in helping to improve the living conditions for the nearly one in four kids in the United States who lives in poverty.

More challenges

Michael Beall, NCBA president, also issued three challenges geared to strengthening the co-op sector:

• Self-identify as a co-op by adopting the “.coop” Internet domain name;
• Work with your co-op boards to find new ways to achieve...
Co-ops should forge new partnerships and innovate to better serve their members, Doug O’Brien, acting under secretary for USDA Rural Development, said during a Cooperative Month Forum in Washington, D.C. Looking on are panel members Lillian Solerno, administrator for USDA’s Rural Business-Cooperative Service, and Charles Snyder, president and CEO of National Cooperative Bank. USDA photo by Dan Campbell

Co-ops should forge new partnerships and innovate to better serve their members, Doug O’Brien, acting under secretary for USDA Rural Development, said during a Cooperative Month Forum in Washington, D.C. Looking on are panel members Lillian Solerno, administrator for USDA’s Rural Business-Cooperative Service, and Charles Snyder, president and CEO of National Cooperative Bank. USDA photo by Dan Campbell

cross-sector collaborations, reaching out to other types of cooperatives to achieve common goals;
• “As individuals, choose to bring more co-ops into your life.” For consumers, that could mean joining a food co-op or credit union, buying co-op branded foods and other products, looking for a co-op preschool for your children, etc.

The need to get instruction about co-ops incorporated into the curriculum of more secondary schools and colleges was stressed several times during the forum. It is all too common that students can earn a master’s degree in business administration without ever having been taught even the most basic concepts of the co-op business model.

Even when students do get some training in co-ops and are enthused about them, co-ops often don’t keep them in the fold. Beall cited the example of a very successful, student-run credit union at Georgetown University. But the co-op leaders usually wind up going to work for Wall Street firms, not a cooperative. He called the situation a “co-op brain drain.”

The surging interest in local and regional foods has given birth to a new wave of cooperatives, and these are often being formed by young people, many of whom may have known little, or nothing, about co-ops in the past. Beall also noted the trend of new co-op brew pubs around the nation is exposing many people in their 20s and 30s to the benefits of co-ops.

Untapped potential

Despite many successes in recent years, the co-op sector in America is not even close to reaching its potential. “We’re swinging below our weight,” said panelist Charles Snyder, president of National Cooperative Bank (NCB), adding that the co-op sector should be a far more powerful force in the economy than it is.

Even the best intentions and most worthwhile goals will go for naught if a co-op does not operate on sound business principles and hire skilled management. “No margin, no mission,” said Snyder, citing a common axiom among bankers.

NCB generates positive publicity about co-ops each October through the release of its annual “NCB Top 100 Co-ops” list (see page 31 for more). Snyder said the list
shows just how successful co-ops are in a variety of economic sectors, with total revenue for 2013 of $234.5 billion, a 3.6-percent increase from 2012.

Need more evidence of the market clout of co-ops? Consider this: the combined revenue of the world’s 300 largest co-ops would about equal the $2.2 trillion gross domestic product of Brazil, the world’s 8th largest economy.

Several speakers mentioned the Jackson Rising conference — which drew about 1,000 people last May to Jackson, Miss. — as an example of an exciting event that helped expose more people to co-op concepts. “The primary objectives of the conference were to stimulate the creation of cooperative enterprises in Jackson to [address] unmet economic and social needs,” according to the conference website. The event also helped launch Cooperation Jackson, “an emerging cooperative network that is building four interdependent and interconnected institutions: a federation of emerging worker cooperatives, a cooperative incubator, a cooperative education and training center, and a cooperative bank or financial institution.”

Complicating the creation of new co-ops in Mississippi and many other states in the South is the lack of state cooperative laws, Beall said, adding that NCBA is working to bring together lawyers, accountants and others with expertise in co-ops to develop strategies for addressing the situation.

Progress on many fronts

A sampling of points made by other panelists during the forum included:

- Co-ops fit in well with the model of a “shared economy,” a concept that is attracting a great deal of interest, especially among young people, said Lillian Solerno, administrator of the Rural Business-Cooperative Service, part of USDA Rural Development. She noted that the growth of interest in local foods in the Washington metro area is so great that it is almost impossible to go into a restaurant without seeing a card on the table or a note in the menu trumpeting the restaurant’s use of locally grown foods, such as heirloom tomatoes. Solerno oversees a number of loan and grant programs that aid in the establishment and growth of rural co-ops and other businesses. The day after the forum, USDA and NCBA held a webinar that discussed proposed changes to USDA’s Business and Industry (B&I) Guaranteed Loan program that could make it easier for co-ops to benefit from the program. (An article with highlights of that webinar will be included in the Jan-Feb. issue of Rural Cooperatives.)

- Ann Marie Mehlum, associate administrator with the U.S. Small Business Administration, said changes have also been made in SBA programs, with more in the works, that will make it easier for the agency to work with co-ops. She said SBA has worked closely with NCBA and NCB for more than 30 years and will continue to do so as it strives to throw its support behind the growth of the co-op sector.

- Debbie Trocha, executive director with the Indiana Cooperative Development Center, said the nation’s network of more than 30 co-op development centers is helping to launch new co-ops all across the country. As an indication of the rising tide of interest in local foods, she noted that her center in 2010 began sponsoring a conference in Bloomington, Ind., for people interested in launching new food co-ops, food hubs or farmers markets. That first event attracted about 30 people. This year, the now two-day event attracted more than 100 people. Her co-op center helped to create Indiana’s first food hub (a facility that aids local producers in the aggregation and distribution of their products). In this case, Hoosier Harvest Market is a “virtual food hub,” which maintains a website on which producers post their product availability and which consumers use to place orders. USDA Rural Development helps to finance co-op development centers through its Rural Cooperative Development Grant Program.

- Leta Mach, representing Parent Cooperative Preschools International (PCPI), spoke about how preschool co-ops can help provide a nurturing learning environment for children. These co-ops depend on high levels of parental participation. PCPI represents more than 50,000 families and teachers, providing ongoing support to families, educators and social agencies. In the past year, the organization has engaged in talks with the U.S. Department of Education about how preschool co-ops benefit children, she said. Mach also discussed the Greenbelt Cooperative Alliance, an organization of six community co-ops in the Washington, D.C., suburb of Greenbelt, Md., that work together to improve the quality of life for residents.

This is just a sampling of the many exciting developments occurring in the co-op sector that should help to inspire us all to redouble our efforts — not just during Cooperative Month, but throughout the year — to help build a better world by spreading the word about cooperatives.
There have been many changes among farmer, rancher and fishery cooperatives during the past 35 years. But the biggest change is undoubtedly the consolidation that has occurred within the ag co-op sector. Most local co-ops have merged and merged again, often forming “super locals” and even larger regional cooperatives.

Other ag co-ops now “gone from the ranks” converted into investor-owned firms (IOFs) or were bought out by IOFs. Others simply closed their doors due to competition or changes in their territory and markets. While today’s larger co-ops exert a lot more marketing clout for their members, they continue to face many of the same challenges as did the typically smaller co-ops of 35 years ago.

There were 6,445 farmer cooperatives in 1979 vs. 2,186 in 2014. At the same time, the $77 billion in revenue that ag co-ops earned in 1979 has been eclipsed. While fewer in number, the larger ag co-ops of today set an all-time co-op sales record in 2013: $256 billion. This is a rate of growth of 5 percent per year, just slightly less than the 6-percent rate of inflation in the Consumer Price Index over the same time period.

This article looks at how cooperative mergers, consolidations, acquisitions and conversions have changed the ag co-op sector between 2000 and 2013.

### Short-term trend
In the early 2000s, conversion of ag co-ops to investor-owned firms (IOFs) seemed to be a trend for the new millennium. Eight ag cooperatives converted to IOFs or were acquired by IOFs in the first few years of the new century. Two of these cooperatives had previously ranked No. 1 on USDA’s annual list of the top 100 cooperatives. The other six were also large co-ops, each with annual sales in excess of $100 million (table 1).

Three more co-ops converted to, or were purchased by, IOFs in 2005, but the trend then slowed as the majority of large cooperatives that ceased individual operations did so due to a merger or consolidation with other cooperatives (figure 1).

The information in table 1 was compiled from local and national news...
sources. (USDA Cooperative Programs never uses information from its statistical survey to publish information about an individual cooperative without first obtaining the cooperative's permission.) Some of the cooperatives that converted to, or were acquired by, IOFs also had their meat packing operation or some of their supply outlets purchased by other cooperatives. Aggregate information from our database has been combined with the public information for the other tables in this article.

From 2000 through 2013, 1,181 U.S. ag cooperatives ceased operations (table 2). Cooperatives that merged or consolidated with other cooperatives comprised 46 percent of these, while cooperatives that converted to, or were acquired by, IOFs represented 12 percent of the total.

We were unable to determine the reason for the other co-ops that ceased operating — 42 percent of the 1,181. In these cases, surveys were returned stating that the co-op no longer was in business, but no reason was given (such as bankruptcy, merger or consolidation with another cooperative or purchase or conversion to an IOF). The “unknown” group also includes mail returned as “undeliverable,” meaning there was no longer a business at the address.

While “unknown” is a big category, representing 42 percent of the co-ops that ceased operations, these cooperatives tended to be small, with combined sales representing less than 9 percent ($2.6 billion) of the total $30 billion in sales made by the 1,181 co-ops that ceased operations from 2000-2013.

**Mergers vs. IOF conversion**

Cooperatives that merged or consolidated with other co-ops had $13.9 billion in sales while cooperatives that converted to, or were acquired by, IOFs had $13.7 billion in sales (45 percent of the total). The merged or consolidated cooperatives — as well as

<table>
<thead>
<tr>
<th>Merged or consolidated with other cooperatives</th>
<th>Cooperatives acquired by IOFs or converted to an IOF</th>
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<tbody>
<tr>
<td>2000 Interstate Producers Livestock Assoc., IL</td>
<td>Minnesota Corn Processors, MN</td>
</tr>
<tr>
<td>2001 Calavo Growers Inc., CA</td>
<td>Crestland Cooperative, IA</td>
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<tr>
<td>2002 Farmland Industries Inc., MO</td>
<td></td>
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<tr>
<td>2003 Agway Inc., NY</td>
<td></td>
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<tr>
<td>2004 Diamond Walnut Growers Inc., CA</td>
<td></td>
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<tr>
<td>2005 Seald-Sweet Growers Inc., FL</td>
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<tr>
<td>2006 Norbest Inc., UT</td>
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<td>2007 M &amp; M Cooperative Inc., CO</td>
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<td>2008 AGRI Co-op, NE</td>
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<td>2010 Southwest Landmark Inc., OH</td>
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<td>2011 Grainland Cooperative, CO</td>
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<tr>
<td>2012 Shipman Elevator Company, IL</td>
<td></td>
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<tr>
<td>2013 Agri-Partners Cooperative, WI</td>
<td></td>
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<tr>
<td>2000 Interstate Producers Livestock Assoc., IL</td>
<td>Minnesota Corn Processors, MN</td>
</tr>
<tr>
<td>2001 Calavo Growers Inc., CA</td>
<td>Crestland Cooperative, IA</td>
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<tr>
<td>2002 Farmland Industries Inc., MO</td>
<td></td>
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<tr>
<td>2003 Agway Inc., NY</td>
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<td>2004 Diamond Walnut Growers Inc., CA</td>
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<td>2005 Seald-Sweet Growers Inc., FL</td>
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<td>2006 Norbest Inc., UT</td>
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<td>2007 M &amp; M Cooperative Inc., CO</td>
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<td>2008 AGRI Co-op, NE</td>
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<td>2013 Agri-Partners Cooperative, WI</td>
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</tbody>
</table>

Table 1—Cooperatives with over $100 million in sales that went out of business, merged or consolidated, or became investor-owned-firms, 2000-2013
those that converted to, or were acquired by, IOFs — were usually larger cooperatives, as evidenced by the 44 cooperatives with more than $100 million in sales listed in table 1.

Iowa was home to six of the large cooperatives that merged, while Illinois, Nebraska and Ohio were home to four each. Iowa was also home to three of the cooperatives that became IOFs, as was California. Cooperatives that became IOFs held about 50 percent of the assets, while co-ops that merged held 41 percent of the assets (table 2).

Focusing on number of farmer or rancher members, the picture is heavily skewed toward cooperatives that merged (representing 62 percent of all members), while several of the cooperatives that became IOFs (with 22 percent of the members) had other cooperatives as their members, rather than direct membership of farmers or ranchers.

The opposite is true for number of employees. Cooperatives that became IOFs often operated processing or manufacturing operations and thus had large numbers of employees. As a group, these co-ops accounted for 42,006, or 69 percent, of the employees vs. the merged co-ops, which accounted for 24 percent of the employees.

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Table 2—Number, sales, assets, members, and full-time employees of cooperatives that merged, became investor-owned-firms (IOFs), or went out of business, 2000-2013

<table>
<thead>
<tr>
<th>Cooperatives</th>
<th>Sales</th>
<th>Assets</th>
<th>Members</th>
<th>Full-time employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative merger</td>
<td>539</td>
<td>13.899</td>
<td>5.489</td>
<td>384</td>
</tr>
<tr>
<td>IOF, acquisition</td>
<td>146</td>
<td>13.726</td>
<td>6.836</td>
<td>139</td>
</tr>
<tr>
<td>Out of business</td>
<td>496</td>
<td>2.575</td>
<td>1.159</td>
<td>97</td>
</tr>
<tr>
<td>Total</td>
<td>1,181</td>
<td>30.200</td>
<td>13.484</td>
<td>622</td>
</tr>
</tbody>
</table>

Table 3—Cooperative mergers, consolidation or acquisition; cooperatives that were acquired by or became investor-owned-firms; and cooperatives that went out of business, by type, 2000-2013

<table>
<thead>
<tr>
<th>Cooperative merger, consolidation or acquisition</th>
<th>Investor owned-firm acquisition or conversion</th>
<th>Cooperative went out of business</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cotton gins</td>
<td>15</td>
<td>4</td>
<td>53</td>
</tr>
<tr>
<td>Dairy</td>
<td>20</td>
<td>13</td>
<td>60</td>
</tr>
<tr>
<td>Fruit and vegetable</td>
<td>5</td>
<td>11</td>
<td>65</td>
</tr>
<tr>
<td>Grain and oilseed</td>
<td>212</td>
<td>35</td>
<td>56</td>
</tr>
<tr>
<td>Service</td>
<td>7</td>
<td>6</td>
<td>26</td>
</tr>
<tr>
<td>Sugar</td>
<td>5</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Supply</td>
<td>260</td>
<td>42</td>
<td>120</td>
</tr>
<tr>
<td>Other1</td>
<td>15</td>
<td>29</td>
<td>111</td>
</tr>
<tr>
<td>Total</td>
<td>539</td>
<td>146</td>
<td>496</td>
</tr>
</tbody>
</table>

1 Types with less than four or more cooperatives.
Editor’s note: This article was provided courtesy the National Council of Farmer Cooperatives.

Does the philosophy of working together for the betterment of all still resonate with today’s farmers? Does the marketing concept of pooling goods to gain a foothold in the marketplace still create value in modern commodity marketing?

These ideas, and others, were put to the test in a survey conducted for the National Council of Farmer Cooperatives (NCFC) to discover what role cooperatives continue to play in the agriculture community and, more importantly, how co-ops can retain their members.

NCFC sponsored the national survey, focusing on both large-scale farmers (defined as producers with $2.5 million annual gross farm income or greater) and young producers (defined as age 45 and younger). The goal of the survey was to help cooperatives gain an accurate view of opportunities and challenges facing these two groups and how cooperatives can bring additional value to all members.

The survey results show that cooperatives are still relevant to today’s farmers, but that challenges remain, especially with reaching out to younger members.

The survey results show that cooperatives are still relevant to today’s farmers, but that challenges remain, especially with reaching out to younger members.

Building lasting relationships

“We know that co-ops must build an ongoing relationship to remain relevant and valuable to their farmer-owners,” says Chuck Conner, president and CEO of NCFC. “Farmers of every size and every age need cooperatives that will help them remain competitive in today’s economy. Drilling deeper into their thoughts gives us a chance to look at two growing segments of co-op membership,” he adds, noting that NCFC strives to stay abreast of industry trends to best serve current
and anticipated needs of its members.

The research shows that 71 percent of large-scale producers currently work with a cooperative. Of those producers, nearly 85 percent do not believe they will outgrow the need for that relationship within the next five years. Large-scale producers who work with a cooperative are four times more likely to expand than those who do not.

“Our members should be proud of the role they are playing in the business of these expanding producers,” Conner says. “Agriculture needs these partnerships to support the demands of farming.”

**Attracting and retaining the young**

Young farmers were asked about their perception of cooperatives and whether they thought they would be as involved with cooperatives as were previous generations. The results showed that young farmers do value the support and services of cooperatives, yet they did not exhibit much interest in participating in the leadership or sustainability of the cooperative.

The young farmers surveyed indicated they are embracing the future potential of agriculture. More than 75 percent of young farmers surveyed said they are excited about the integration of new technologies into their farming business. They want to increase efficiency, engage in better marketing and believe they are willing to take more risks than were previous generations. About half of young farmers surveyed are seeking to expand their operations.

The challenge for cooperatives is to encourage participation in the cooperative by younger members and to build succession plans for leadership positions.

“We understand that for an organization to be relevant and valuable to its membership, we must be in touch with them,” says Conner. “The cooperative system listens and learns from younger farmers, as well as older ones, because cooperatives want to fit the needs and future goals of all producers.”

Many NCFC member cooperatives are exploring ways to build loyalty and leadership skills in their membership. Michigan Blueberry Growers (MBG Marketing) is a cooperative headquartered in Michigan serving blueberry growers in eight states and British Columbia. It is embarking on an innovative and aggressive young member leadership program to help fill the pipeline with potential leaders.

“When we look at the fact that the average age of today’s farmer is getting close to 60, we know that we have to do something to engage and attract younger growers,” says Lorrie Ford Merker, MBG’s vice president for grower relations and cooperative affairs.

**Leadership program getting results**

Last January, MBG kicked-off a two-year leadership immersion program for growers ranging in age from 25 to 45. Each applicant was either a principal owner of a MBG-member farm or was sponsored by a member farm. The applicants completed an essay and Pacific Northwest and British Columbia to visit farms and customers (including a one-on-one meeting with leadership from a large retailer). They also observed board meetings, met with legal and tax advisors to learn about cooperative business structures and attended NCFC legislative and business conferences. This winter they will attend a food safety summit in California and visit with growers in that region.

“The younger generation wants to be engaged, but it is no longer enough to mail them a meeting notice...We need to reach out to them...and show them how they can be a part of the co-op.”

“We need to reach out to them, connect them with each other and show them how they can be a part of the cooperative. We have invested a great deal of resources in this program; we believe we will have a better informed and more engaged leadership team as a result.”

The benefits of the MBG program not only include building future leaders for the cooperative, but can also can help the industry as a whole.

“We are hearing from the older generation that the participants come home energized and excited — not only about what the cooperative is doing, but about what is happening in the industry,” Merker adds. “Participants feel connected to something bigger than their own farm. They have met
people like themselves from all over the country who they can now reach out to and build relationships with.”

MBG plans to launch its second class of young leaders in January 2016. They will continue to call on the 2014 class to keep them engaged as the program evolves.

“This is not a ‘one-and-done’ program,” Merker stresses. “We plan to keep building the program by adding 12 or so people every other year to the original group. Those that have been through the program will be asked to be mentors to the next group, creating a bigger and stronger group each year.

Keeping pace with large-scale farmers

The majority of large-scale farmers surveyed said they work with a local cooperative to support their operation. Of those, 54 percent have expanded their operations. Conversely, just 31 percent of large-scale farmers who are expanding say they do not work with a cooperative.

“Successful farmers understand that cooperatives work on behalf of their members,” Conner says. “Their co-ops are there for them with products, services and information to improve agronomics, reduce risk and capitalize on market opportunities.”

Service is key for the large-scale farmers who say they value the crop inputs, commodity marketing and risk-management services they get from cooperatives. Ninety percent who belong to a cooperative said they have a positive view of the cooperative system, while 85 percent do not believe they will outgrow their need to work with a cooperative.

These findings show that cooperatives have been able to keep pace with their large-scale farmers and those with expanding operations.

NCFC member Tennessee Farmers Cooperative (TFC) has put in place a number of initiatives to help farmers incorporate new technologies. “Our cooperatives utilize input from their board of directors, who are all producers,” says Bart Krisle, CEO of TFC, a federated farm supply cooperative system with 57 member cooperatives. “The directors share their personal needs and challenge the management teams to deliver solutions. Our cooperatives also have several field staff positions directly with producers to keep updated on farmer's needs.”

TFC believes in investing in the education and training of staff so they can deliver the best service to the producers.

“We invest in education and training for our staff on the latest technology and realities. Then, combining input from our producers and staff, we incorporate the technologies that represent the greatest opportunity to add value for our producers,” Krisle adds.

Members value co-op financial services

In addition to keeping pace with new technologies, TFC has also introduced new financial programs that offer centralized accounts receivable and input financing to its member cooperatives. Co-op Financial Services (CFS) is a program that allows individual member cooperatives the opportunity to outsource their credit function to TFC.

TFC sets the credit limits and assumes the credit risk. The member cooperatives receive cash for their open accounts each day and remove their credit risk.

“CFS is beneficial to the member cooperatives and the producers,” Krisle adds. “Producers now have a single credit line that can be used at any participating member cooperative location, simplifying the management of their credit lines.”

In addition to the credit mechanism, TFC employs area finance managers to work with producers on their farms prior to the planting season to evaluate needs.

“This program has reduced our cooperative system’s credit risk and freed working capital for our member

continued on page 36
Editor’s note: This article was provided by Naturipe Farms LLC, a grower-owned producer and international marketer of premium berries. Berry production primarily comes from multi-generation family farms in the berry-growing regions throughout North and South America.

The White House and United States Department of Agriculture honored a select few new and beginning ranchers and farmers as “Champions of Change” during the Future of Agriculture two-day event in Washington, D.C., in July. The events celebrated agriculture leaders from across the country who are taking innovative approaches to support American farming and ranching, both now and in the future, by showcasing their actions that ensure and advance the future of agriculture.

Kristin Fritz Kubiszak of Brookside Farms, a grower for Michigan Blueberry Growers (MBG Marketing) — The Blueberry People — was one of only 15 national honorees. Kubiszak is the retail manager for Brookside Farms in Paw Paw, Mich. Her fifth-generation family farm distributes fresh blueberries through MBG’s cooperative marketing network under the Naturipe brand.

After obtaining her bachelor’s degree in social work from Cornerstone University, Kubiszak returned home to her family farm, that grows and packs top-quality blueberries. Her involvement in the agriculture industry doesn’t stop with just her family farm. She also sits on the board of directors for the Van Buren County Farm Bureau and chairs its Promotion and Education Committee.

In this position, she has dedicated her time to educating the community with trips to local schools, staffing the Ag Venture tent at the local Youth Fair and other youth and consumer education programs. “Kristin is another member of the Fritz family farming operation who makes us proud that they are part of our MBG and Naturipe families,” says Bob Hawk, president and CEO of MBG Marketing.

Kubiszak’s primary goal is to educate others not only about agriculture, but also about how families impact agriculture and how important it is to continue family farms.

Brookside Farms started as a dairy farm in 1876. Her grandfather planted his first blueberry bush in 1956. That was the same year the

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In the Spotlight

Foremost’s Dave Fuhrmann looks back on 40 eventful years in dairy industry

David Fuhrmann recently stepped down from his position as president of Baraboo, Wis.-based Foremost Farms USA, a job he began in 2001. A 40-year veteran of the dairy industry, Fuhrmann will retire on Jan. 1. In the interim, he is assisting in the transition to his successor, Michael Doyle.

Fuhrmann’s career with the cooperative began in 1980, when he was picked to manage barrel cheddar cheese production at the Richland Center, Wis., facility of Wisconsin Dairies Cooperative, one of the co-ops that consolidated to become Foremost Farms USA.

In 1986, Fuhrmann was put in charge of the cooperative’s engineering department and in 1989 became specialty products division manager, working with the co-op’s ingredients production facilities. Fuhrmann was promoted to vice president for manufacturing in 1993 and then to vice president of the cheese division in 1998.

He has served on the boards of the National Milk Producers Federation (NMPF), the International Dairy Foods Association and the National Cheese Institute. Fuhrmann has also served as chairman of the NMPF’s Federal Order Task Force, created in 2007 to address milk pricing issues. He was co-chair of the Dairy 2020 Council, a Wisconsin initiative to help better position the state’s $26 billion dairy industry for long-term viability. In 2012, Fuhrmann received the International Dairy Foods Association “Soaring Eagle” award.

Fuhrmann, a graduate of the University of Wisconsin-Stevens Point in biology, was raised on a dairy farm in rural St. Cloud, Wis.

“The export business and global demand make this a great time to be in the dairy business,” says Dave Fuhrmann (third from left), former president of Foremost Farms USA. He is seen here with employees at the co-op’s whey ingredient plant in Plover, Wis. Photo Courtesy Foremost Farms

**Question:** Foremost Farms is probably best known as one of the nation’s leading dairy co-op cheese producers. What changes in the cheese market do you see ahead, and how well poised is the co-op to adapt to them?

**Answer:** Per capita consumption of cheese will continue to grow for the foreseeable future and we’re at a place where I think consumer tastes will constantly evolve, leading to more specialty cheese production. I expect the styles of cheese will change and increase. Foremost Farms has a great track record of adapting, because we have had the ability to look at the market conditions and reinvest in our infrastructure to meet changes.
Q. Foremost is also the leading dairy co-op manufacturer of whey products, dating back to the 1980s — long before the recent surge in that market (especially for exports). What factors contributed to the decision to enter the whey market, and do you see it continuing to grow?

A. If you go back 30 years, whey was a disposal problem. It's now very clearly a value-added business. We saw an opportunity in the early days to capture all of the milk solids and enhance member returns. Will whey product demand continue to grow? Absolutely. There is a worldwide shortage of protein, and that is very good for the dairy business. In fact, whey product consumption continues to grow globally at a faster rate than domestic cheese consumption. That is a concern.

Q. Have you seen a change over the years in member commitment to doing business through cooperatives? Does the younger generation of dairy farmers understand the role and need for cooperatives?

A. I don't see less commitment. We have a lot of strong leaders in our cooperative, of all ages. They are dedicated business men and women who happen to own a dairy marketing cooperative. There is a significant portion of young producers who recognize the value that cooperatives bring. However, it is the challenge of cooperatives to provide value every day to all members.

Q. You also served as the chairman of the NMPF’s Federal Milk Market Order Task Force. Any experiences from that endeavor stand out?

A. I learned that there is no easy answer when it comes to federal dairy policy. People are very quick to criticize the Federal Order system, but it is very difficult to come up with a better system than what's in place. It's even harder to get widespread agreement. We did make real gains for dairy farmers with the new Farm Bill, but Federal Order reform was ultimately left off the table as no consensus could be reached.

Q. Foremost divested its fluid milk business a few years ago. Was that move strictly dictated by thin profit margins in the fluid market?

A. The reality is that fluid milk is a business that has seen a steady decline in consumption for 40 years. Excess plant capacity, particularly in the Upper Midwest, combined with declining consumption was a business without a bright future for us. We sold the fluid business and put the assets into cheese and whey ingredient production and demand for those products continues to grow.

Q. If there were no cooperatives, what would the impact be on dairy farmers?

A. Cooperatives are member-owned, and that is a much different philosophy than other types of businesses. If there were no cooperatives, dairy farmers would feel a great deal of downward pressure on milk prices. What's more, from a dairy policy standpoint, dairy farmers would have significant trouble being heard in the national farm policy debate. Cooperatives afford the grassroots opportunity to have that voice.

Q. What trend or event in recent years gives you the most optimism about the future of the U.S. dairy industry? Or cause for concern?

A. The export business and global demand for dairy products makes this a great time to be in dairy. There will be strong demand for dairy protein for the foreseeable future. It is a great business for the long-term. As I said before, the concern is that domestic cheese consumption keep pace with the growth in whey ingredient demand. Also, we continue to be challenged with price volatility, and I expect that will continue. The long-term future is bright for anyone entering this business, but volatility of pricing will continue to cause strong price peaks and valleys.

Q. If you could change one thing about the dairy industry, or cooperatives, what would it be?

A. Cooperatives need to work together on behalf of all dairy farmers. Opportunities are out there for all of us if we could set aside differences and do better for the dairy farmers we serve.

Q. Ultimately, what accomplishments are you proudest of during your years with Foremost?

A. There are two main things that come to mind. First, Foremost Farms is the result of a lot of hard work by dairy farmer-members and employees who were here long before me. I owe those founding farmers who saw the value of cooperation, and that spirit continues today. In my tenure, we have evolved from a series of small dairy plants, to larger, state-of-the-art production facilities with a streamlined supply chain. I am proud that we have been able to take costs out of our production stream and enhance member returns while upholding the cooperative model. Second, I am very proud of the employee team we have put together at Foremost Farms USA. I am a firm believer in the adage that you are only as good as the members of your team.

Q. Plans for retirement?

A. I plan to travel a bit with my wife, Sandy, and spend some quality time with family. I might even take a ride or two in a tractor.
Finding Courage

Author discusses her research into use of cooperatives by African-Americans

Prior to doing research on her book, “I did not realize what a strong role African-American women played in both the black and the wider cooperative movements,” says Jessica Gordon Nembhard.
Question: There has been a myth that only a few predominantly black cooperative efforts existed historically in the United States. Why do you think that perception exists?

Answer: I think there are a couple of interconnected explanations. First, it was often dangerous for African-Americans (in particular) to be involved in alternative economics, such as cooperatives. White competitors, the “plantation bloc” and white supremacists did not want African-Americans to separate from the exploitative economic relationships they established with them as laborers and consumers. Whites were profiting from the exploitation.

Black and white members of groups like the Knights of Labor, for example, in the 1880s had to go underground to hide from vigilantes who would kill, lynch and undermine their cooperative economic and labor organizing. Many of their efforts were also targeted with financial sabotage in addition to the physical violence.

In the 1950s and 60s, the virulent anti-communism movement similarly targeted people and groups advocating alternative economic strategies, ruining their political reputations and blacklisting them from jobs and professional opportunities. Blacks were often the most impacted. Groups advocating political and civil rights felt they would be targeted or marginalized if they included full economic justice and cooperatives in the demands.

In addition, not all African-Americans agreed to the cooperative economic strategy — some still hoped to make it in the mainstream society. For the sake of unity, most of the civil rights organizations publicly ignored, or didn’t mention, cooperatives (even as they locally and quietly supported cooperative practices). As recently as the 1970s, there is evidence of white banks colluding not to give loans or a line of credit to a black cooperative, particularly one that was competitive with a similar white business.

It is partly because of these kinds of dangers that I named the book “Collective Courage,” because it took all kinds of courage to persist in a cooperative economic effort in the face of the violence and sabotages.

In addition, because small businesses in general are precarious and vulnerable — and because African-American businesses have often been targeted and fail — many blacks have been wary of business development, are risk-averse and remember and talk about the failures more than the successes. As small businesses, cooperatives are seen as risky and often better remembered for their failures, so they are not discussed or pursued.

However, the irony is that most of the black co-ops that “went under,” did so because of outside sabotage and/or because of inadequate capitalization (often because of financial sabotage). If the true stories were shared and the cases analyzed, however, there would have been better understanding of what happened and less feelings of aversion and shame around the idea of cooperative businesses.

Finally, research shows that cooperatives have longer survival rates than other small businesses, and that the process of developing a cooperative business increases financial literacy, business and industry-specific skills, leadership capacity, social capital and other tangible and intangible capacities in individual members and the organizations involved. But these benefits are not well known.

Q. What surprised you the most as you researched this topic?

A. I did not expect there to be so much history to uncover — that cooperatives and economic cooperation took place in every era. I did not realize what a strong role African-American women played in both the black and the wider U.S. cooperative movements. I did not realize that the black cooperative movement was truly a silent partner throughout the long civil rights movement, or that almost all the political, civil rights and black liberation movements and their leaders included economic cooperation, often quietly, as part of the strategy and/or were involved in a cooperative enterprise in some way from as early as the 1600s and 1700s. I also hadn’t realized that the U.S. labor movement and the cooperative movement started out together — for both blacks and whites.

Q. Can you cite an example of a co-op that you found to be particularly inspiring or that serves as an outstanding example of an African-American cooperative?

A. Freedom Quilting Bee, established in 1967 in Alberta, Ala., is a handicraft cooperative founded by women in share-cropping families, who began selling quilts to supplement their families’ meager farm incomes. Freedom Quilting Bee was a founding member of the regional cooperative development organization, the Federation of Southern Cooperatives.

In 1968, the cooperative bought 23 acres of land on which to build the sewing plant. It sold eight lots to families who had been evicted from their homes and land they were sharecropping because of their civil rights activities. Some were evicted from their farms, for example, for registering to vote.

Having the cooperative own and control land gave members independence and an alternative source of land to farm, as well as a way to help their neighbors. The 23 acres were thus important not only to the co-op’s own survival and growth, but also to their families’ and communities’ survival.

By 1992, the cooperative owned the sewing factory, over 20 acres of land, and owned or leased a daycare center. They also operated an after-school tutoring program and a summer reading program. The women
established programs and activities to support their working outside of the home and to address needs in their community.

At its height (around 1992), the cooperative had 150 members, offered a diverse set of sewn products, and was the largest employer in the town. At a time when the political climate severely reduced economic options for African-Americans in the South, through this cooperative women were able to assert economic independence and augment their family’s income, to create alternative sustainable economic activity, to own their own land and to provide needed family- and community-friendly services.

Q. You highlight Nannie Helen Burroughs and Halena Wilson, in particular, as black women who played notable roles in African-American co-ops. Could you say something about why they were so distinctive?

A. This was part of my discovery that African-American women were integral to, and often leaders in, the black cooperative movement. Burroughs is also an example of a black leader who was much better known (or only known) for achievements in other areas. Nannie Helen Burroughs of Washington, D.C., was one of the founders of the National Baptist Women’s Convention (for which she served as the corresponding secretary and president for over 60 years), and founder and CEO of the National Training School for Women and Girls in D.C. in 1909 (which the National Baptist Convention and its Women’s Convention sponsored, and is now called the Nannie Helen Burroughs School). She was also president of the National Association of Wage Earners (with Mary McCloud Bethune as vice president).

In 1932, she was appointed by President Herbert Hoover to chair a special committee on housing for African-Americans. In the 1930s, Burroughs also founded Cooperative Industries of Washington, D.C. (first called the Northeast Self-Help Cooperative), a worker cooperative for chair and broom making, laundry and a cannery that morphed into a hybrid co-op after winning a federal grant that allowed the co-op to buy a farm in Maryland and sell the produce in D.C.

The co-op successfully put unemployed and very-low-income women to work, controlling their own business. The Training School helped to support the co-op and offered a cooperative study class. In addition, Burroughs was a member of the District of Columbia Cooperative League and was often requested by them and other groups, such as the Joint Citizens Committee of D.C., as an advisor and speaker on consumer rights and cooperatives.

Halena Wilson is an example of an active, influential black woman whom history has largely overlooked. I learned about her from Melinda Chateavert and her book Marching Together, about the Ladies Auxiliary to the Brotherhood of Sleeping Car Porters (BSCP). The Brotherhood was the first independent black union in the 20th century.

Halena Wilson was the first president of the BSCP’s Ladies Auxiliary (1938-1956), as well as the first president of the active Chicago branch (1930-1953). She was also education director of Consumers Cooperative Buying Club in Chicago in the late 1940s, an elected member of the national Consumer Cooperative Council and led the Chicago BSCP’s Ladies’ Auxiliary in becoming a charter member of the Cooperative Union Eye Care Center (with the Coalition of Trade Unions and Consumer Cooperation in Chicago) in the 1950s.

Wilson worked closely with the BSCP’s founder and president, A. Philip Randolph, especially on consumers’ and cooperative education and the development of brotherhood cooperatives. She and Randolph issued “instructions and directions” to the chapters which urged members to subscribe to journals/newsletters about consumer economics and cooperatives, as well as to study credit unions and consumer co-ops.

She wrote articles on cooperatives for BSCP’s organ, The Black Worker, and assisted the Ladies Auxiliary in forming study groups about cooperatives throughout BSCP chapters in the United States and Canada. She was a co-founder of several cooperatives. In addition, Wilson was called upon by the larger U.S.
cooperative movement, especially in her home town of Chicago, to represent black labor and black women in co-op meetings and conference planning, co-op development and at regional and national conferences.

For example, in the late 1940s, as the education director of National Cooperatives Inc., she wrote several times to Randolph, commenting on the importance of the BSCP’s Ladies’ Auxiliary’s input as a member, and that these black women helped shape “the course of a total cooperative program for the labor communities.”

Q. Do you think this book could help serve to deepen interest in cooperatives among black Americans, as well as others?

A. This was one of the reasons why I wrote the book, because I want African-Americans to know about this wonderful and noble history — to understand that we have cooperated successfully and can cooperate. My research uncovers the roles of black women, as well as men, of black youth, of black independent schools and labor unions in the development of cooperatives and in the cooperative movement.

I give examples of a variety of types of cooperatives — consumer, worker, agricultural, credit unions and housing co-ops — in rural and urban settings that were financed in a variety of ways so that we can see that this can be done, regardless of the conditions. I also tried to be honest about the challenges, but to show how black people overcame these challenges; and to explain the successful elements even when there was failure.

So, yes, I very much hope that this book and the coverage the book is receiving will deepen the interest in cooperatives among African-Americans. I want to see more cooperatives flourishing and new cooperatives springing up all over. These times call for alternative strategies, and I want more people to understand the cooperative model and not be afraid of it.

So far on my book tours, I have also found that this history is inspiring people from all different races and ethnicities. People have been thanking me for expanding our understanding of cooperatives and showing the cooperative movement from a non-European perspective.

Q. Are there any areas (geographically and/or functionally) where you think African-Americans could most benefit from greater membership in co-ops?

A. There aren’t really any specific geographic areas that I would recommend for African-American cooperatives because we need them and they have flourished everywhere — in the South, North, West, Midwest, etc., and in rural and urban areas. I started out focusing on black urban cooperative development as a strategy to revitalize cities. However, Melbah Smith, formerly of the Mississippi Center for Cooperatives and the Federation of Southern Cooperatives/Land Assistance Fund, and others at the FSC/LAF convinced me that rural issues and needs for cooperatives were similar to urban issues and needs.

Cooperatives solve problems in all geographies. Similarly, there is no one function or type of cooperative or industry that I think African-Americans should target for cooperative development. Again, cooperatives lend themselves to any kind of industry, and some kind of cooperative can address almost any need.

People who want to form a cooperative should form one based on a need or set of needs (what good or service is lacking in some way or should be addressed or satisfied better?) identified by a community of people who trust one another and want to collectively solve a problem. Cooperatives can be adapted to fit almost any need, because a co-op is based on a set of values, principles and processes that revolve around solidarity, equality, inclusion, return to participation, democratic participation, information, education and transparency.

Where better access to affordable and quality financial services are needed, for example, then start a credit union. If the need is affordable quality housing, then a housing cooperative and maybe even a limited equity housing co-op can address that. If access to healthy, quality and affordable food (especially fresh produce, vegetarian foods and/or culturally sensitive foods) is needed, then the group should start a co-op grocery store, etc.

However, I am partial to worker cooperatives because they contribute to building economic and social justice by directly addressing issues of employment, meaningful work, control over work and income, and asset building.
The nation’s top 18 dairy cooperatives showed a substantial shift in their relative performance levels during the past 20 years, a recent report shows. For the study, cooperatives were evaluated on the value they generated from the use of members’ equity. The equity retained by dairy cooperatives represents a substantial sum of the members’ money and competes with the capital needed for members’ farm operations. Therefore, the retained equity should not be regarded as free capital for the cooperative but should carry an “opportunity cost” that reflects the value of the capital in alternative uses. The opportunity cost is an interest charge on the equity at a rate equivalent to the amount the money could earn elsewhere.

If the cooperative’s net savings exceed the opportunity cost of members’ equity, it has generated “extra value” and enhanced the value of the equity for members. Conversely, a cooperative has diminished the value of the equity if it generates a negative extra value — members bear the opportunity cost of equity capital that is not fully recovered.

Calculating and analyzing such extra values generated by dairy cooperatives is the approach to measuring performance in this article. Extra value is defined as the surplus of a cooperative’s net savings after accounting for the opportunity cost of equity capital.

For comparing performance among cooperatives, extra value can be made neutral to the scale and the mode of a cooperative’s operation by expressing it as a percentage of operating capital. The resulting extra-value index shows the rate at which extra value was created, using the co-op’s operating capital.

Operating capital is the sum of non-current assets and net working capital and, in the context of dairy cooperatives, is a more accurate measure of a dairy cooperative’s scale of operation than is total assets. This is due to the way producer milk payroll is handled, which
tends to inflate the current assets on the balance sheet.

Financial information on dairy cooperatives is from a data set maintained by the USDA Cooperative Programs for its annual financial analysis of Top 100 cooperatives. The time series of data covers three periods: 1992-1996, 2000-2004 and 2008-2012. In the 2008-2012 period, there were 18 dairy cooperatives (or their predecessor cooperatives) that had been continuously on the top 100 co-ops list since 1992. For comparing performance over time, the data of all the predecessor cooperatives were combined, as if they had already been consolidated into their respective successor cooperatives.

The interest rate for calculating the opportunity cost of equity is based on the respective year's December average LIBOR (London Inter-Bank Offered Rate) for U.S. dollar loans with a 12-month maturity. Banks generally will extend loans to a firm with a better-than-average credit rating at an interest rate of about 200 basis points above the LIBOR.

Thus, the basic rate used to calculate interest on equity is “LIBOR+2%.” In addition, “basic interest rate+5%” and “basic interest rate+10%” are also used in the analysis to account for risk premium of equity investment at 5 and 10 percent levels.

To avoid revealing identifiable proprietary data, the performance of the cooperatives is portrayed in three ways to form a composite picture for evaluation: performance categories, changes in performance indexes and performance rankings. To further maintain proprietary data confidentiality, the extra-value indexes used in the evaluation for each cooperative are 5-year averages for each of the three study periods; these represent the cooperative's average level of performance in the respective periods. Some information is lost because the averages gloss over intra-period performance variations.

### Performance categories

Cooperatives are placed into four performance categories according to average extra values generated in the three five-year periods (table 1):
- Cooperatives that did not fully recover the opportunity cost of equity capital and did not generate extra value at basic interest rate: seven cooperatives in the first period; one each in the second and third.
- Cooperatives that generated extra values beyond the opportunity cost of equity capital at basic interest rate but short of reaching 5 percent risk premium: three cooperatives in the first period; eight in the second; and three in the third.
- Cooperatives that generated extra values beyond the opportunity cost of equity capital at basic interest rate plus 5 percent risk premium but short of reaching 10 percent risk premium: two cooperatives in each of the three periods.
- Cooperatives that generated extra values beyond the opportunity cost of equity capital at basic interest rate plus 10 percent risk premium: 6 cooperatives in the first period; 7 in the second; and 12 in the third.

Eleven cooperatives in the first period and 17 in each of the second and third periods generated extra values beyond the opportunity cost of equity capital at basic interest rates (performance Category II and higher). Most cooperatives shifted around different performance categories over the three periods. However, there were three cooperatives that remained in the top performance category (Category IV) throughout.

In the first period, performance Category I had the most cooperatives,
seven in total. In the second period, performance Category II had the most, with eight. And in the third period, two-thirds (12) of all 18 cooperatives were in the top performance Category IV.

Changes in performance indexes

Successively lower level of interest rates over the three study periods presumably made achieving continuously higher extra-value indexes (EVIs) easier. However, only six cooperatives improved their EVIs from the first to the second period and then to the third period.

Five cooperatives improved their performance indexes from the first period to the second, but the performance indexes turned lower from the second period to the third. Conversely, the performance indexes of another six cooperatives declined from the first period to the second, but improved from the second period to the third. One cooperative’s performance indexes declined continuously through time.

Cooperatives are ranked according to their performance measures (EVIs) for the three study periods. For convenience of presentation, the 18 performance rankings are divided into three groups of equal number, 6 each: ranks 1 to 6 are the first ranking group, ranks 7 to 12 are the second ranking group, and ranks 13 to 18 are the third ranking group (table 2, column 1). Cooperative codes are assigned according to a cooperative’s ranking by EVI, using the basic interest rate for the 1992-96 period (table 2, column 2).

Table 2—Rankings by extra-value indexes (EVIs) based on the respective averages for the three 5-year periods

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Co-op codes are assigned according to a co-op’s ranking by EVI using the basic interest rate for the 1992-96 period (column 2). Co-ops Nos. 1-6 are shaded in green, Nos. 7-12 are in yellow, and Nos. 13-18 are in red for easier visual identification to show how co-ops shifted their relative rankings over time.
Therefore, initially, cooperatives are grouped following the performance ranking grouping: cooperative Nos. 1-6 are in the first ranking group (shaded in green for easier visual identification), cooperative Nos. 7-12 are in the second ranking group (in yellow), and cooperative Nos. 13-18 are in the third ranking group (in red).

Performance ranking shows a cooperative’s efficiency in using operating capital to generate extra value relative to one another, given that all cooperatives operate in the same economic environment and market conditions. The rankings are particularly useful for comparing cooperatives that are in the same performance category, such as for the third period where performance Category IV has 12 cooperatives (table 1; the same 12 top-ranked cooperatives in table 2, column 10). The rankings of these 12 cooperatives are very different from their initial performance ranking sequence.

By the end of the third study period, performance rankings of the cooperatives had spread out from their original standings:

- The six initially top-ranked cooperatives (shaded in green) saw three of their peers remain in the first ranking group, while two dropped to the second ranking group and one was further down in the third ranking group.
- The cooperatives in the initial second ranking group (in yellow) had one cooperative elevated to the first ranking group, three stayed in the second ranking group, and two fell to the third ranking group.
- Two of the six cooperatives that were initially in the lowest ranking group (in red) rose to the first ranking group, and one moved to the second ranking group, although three still remained in the third ranking group.

### Structural changes

In the interim years between the first and the second periods, 12 cooperatives underwent structural changes to form 4 successor cooperatives, and between the second and the third periods, 4 cooperatives underwent structural changes to form 2 successor cooperatives. In the period immediately following the respective structural changes, 4 out of the 6 successor cooperatives actually did perform better than the sum of their respective predecessor counterparts. (Further detailed analysis is necessary to determine what factors, or what post-merger/consolidation measures the surviving cooperatives undertook, made the improvements possible.)

#### Scale of cooperatives and performance

For comparing the performance of cooperatives of different scales, the weighted averages and the simple averages of performance indexes of the 18 cooperatives were calculated. The weighted averages are heavily influenced by the performance of larger scale cooperatives, while the simple averages give an equal weight to each cooperative regardless of scale.

Comparisons between weighted-average performance indexes and simple averages indicate that at least some of the larger scale cooperatives did not perform as well as the rest of the cooperatives in all three periods (table 3). Some of the larger scale cooperatives also relied more on debt and less on equity than the rest of the cooperatives to finance their operations, as shown by the differences between the weighted-average equity shares of the operating capital and the simple averages. But these cannot be generalized to conclude that larger scale dairy cooperatives always perform better or worse than smaller scale ones.

### Summary/conclusions

Cooperatives’ performance changed substantially over time as well as... continued on page 33
“Smart Agriculture in the 21st Century” is the theme of the 2015 USDA Ag Outlook Forum, being held Feb. 19-20 at the Crystal Gateway Marriott in Arlington, Va., just outside Washington D.C. First held in 1923, the Ag Outlook Forum brings together renowned speakers including farmers, ranchers, economists, academics, statisticians, consultants, industry leaders, and government policymakers.

U.S. Agriculture Secretary Tom Vilsack will present the keynote address, followed by a distinguished guest speaker. The economic outlook for the coming year will be presented by USDA Chief Economist Joseph Glauber. In addition, a plenary panel of industry leaders will discuss an important topic relevant to agriculture.

Breakout session topics on the tentative agenda include: Perspectives on Global and U.S. Trade; “Big Data’s” Impact on U.S. Agriculture; Current Commodity Situation and Outlook; Food Price and Farm Income Outlook; Moving Feed, Food and Fuel to Market; Opportunities in the Bio-
Economy; Anti-Microbial Resistance; and Bee/Pollinator Issues Facing Agriculture.

Other breakout session topics include: USDA Conservation and Regulatory Program Updates; Environmental/Meteorologic Outlook, Including Water Issues, Drought, Weather Patterns and Climate Change; Nutrition Trends and New Opportunities for Producers; Regional Approaches to Rural Growth; Local Food Marketing Trends; The 100th Anniversary of USDA Market News; and Reducing Food Waste.

Forum attendance records have been regularly exceeded in recent years, and registration this year will be capped at 1,800, so early registration is advised. Online registrations can be made starting in early November at: www.usda.gov/oce/forum. That website will also include regular program updates and other information about the Forum.

**USDA grants helping small co-ops**

U.S. Agriculture Deputy Secretary Krysta Harden in October awarded 17 grants in 12 states to help small, socially disadvantaged agricultural producers — including a number of co-ops and co-op associations — expand their operations and create jobs.

“These grants help small producers and other business owners who often lack access to the capital and technical assistance they need to grow and prosper,” Harden says. “By providing assistance to small and diverse producers, USDA is expanding healthy food options in small markets. Additionally, many of these grants will allow even the smallest producers to take advantage of the latest innovations in ag production.”

USDA is investing $3 million through the Small Socially Disadvantaged Producer Grant program. The program funds technical assistance and other services to help producers develop new markets and business opportunities.

For example, the Mississippi Association of Cooperatives is receiving a $200,000 grant to provide innovative technical assistance tools, including personal and business record-keeping, business planning and marketing assistance. Also in Mississippi, the Tri County Agricultural Cooperative was awarded a $200,000 grant to help socially disadvantaged agricultural producers develop diversified farms and use production and management strategies that will enhance their long-term viability.

The Kohala Center Inc. in Hawaii was awarded a $197,000 grant to provide technical assistance to the Maui Aquapconics Workers Cooperative, the Pallil ‘O Kohala Cooperative, the Ka’u Coffee Growers Cooperative and the Molokai Livestock Cooperative.

The Alabama State Association of Cooperatives received a $200,000 grant to help African-American producers of vegetable and forest products in a number of counties. In Arizona, the San Xavier Cooperative Association Inc. received a $188,000 grant to provide business planning and marketing assistance to socially disadvantaged producers.

For the full list of grant recipients, visit the “press room” section of USDA Rural Development’s website at: www.rurdev.usda.gov.

**More dairy farms adopt FARM care practices**

Dairy farmers nationwide continue to demonstrate widespread adoption of industry standards that assure high-quality care for their animals, according to a report released by the National Milk Producers Federation (NMPF). The summary report quantifies practices by farmers participating in the industry’s responsible care program, known as the National Dairy FARM Program (Farmers Assuring Responsible Management).

“The latest report shows dairy farmers continue to demonstrate their extensive commitment to the well-being of the animals in their care through adherence to the standards in the FARM program,” says Jamie Jonker, NMPF’s vice president of scientific and regulatory affairs. The report quantifies the results of more than 12,000 dairy farm evaluations conducted during the previous three years. All of the data is collected by second-party evaluators who visit each of the farms.

Overall participation in the FARM Program has increased to more than three-quarters of the nation’s milk supply, up 5 percentage points from the previous year.

To ensure full participation in the program, NMPF’s board recently voted to require that each dairy marketing organization participating in the program must enroll all of its farmer-suppliers. NMPF Chairman Randy Mooney hailed the unanimous vote, saying it sends a clear message that the program must not be implemented selectively if it is to continue demonstrating the universal value and integrity of the FARM program.

“The FARM program has become the dairy industry animal-care standard because of its integrity, rigor and authenticity,” Mooney says. “This decision means each farm in a participating cooperative will be held to the same high standards, with no exceptions. It demonstrates that the nation’s dairy farms, regardless of size, are committed to high-quality animal care across the supply chain.”

The report found that nearly 95 percent of farms enrolled in the
program train their employees to properly move animals that cannot walk; more than 98 percent train employees to handle calves so as to cause a minimum of stress.

Available to all U.S. dairy farmers, the FARM program is now in its fifth year. Participants are given training materials and are evaluated by a veterinarian or another trained professional. Evaluators provide a status report and, if necessary, recommend areas for improvement.

The NMPF board also has reviewed new provisions in the FARM program that establish a clear process to investigate allegations of animal mistreatment on farms enrolled in the program. Any such farm will be subject to an independent review and may be temporarily suspended from the program if the allegations are substantiated. A corrective action plan will be developed to address any issues.

For more information on the FARM program, visit: http://www.nationaldairyfarm.com/.

**NRECA supporting Energize Africa Act**

National Rural Electric Cooperative Association (NRECA) CEO Jo Ann Emerson has congratulated the U.S. Senate Foreign Relations Committee on the recent passage of the Energize Africa Act, which promotes electrification in Sub-Saharan Africa. The House of Representatives passed companion legislation in May.

The Energize Africa Act prioritizes and coordinates U.S. government resources to achieve three goals in sub-Saharan Africa by 2020:

- Promote first-time access to electricity for at least 50 million people in Sub-Saharan Africa;
- Encourage the installation of at least an additional 20,000 megawatts of electrical power, using a broad mix of energy options to help reduce poverty, promote sustainable development and drive economic growth;
- Encourage the necessary in-country reforms to make such expansion of power access possible.

NRECA says it stands ready to partner with public and private organizations to achieve these goals. International development experts also support this legislation, knowing how electrification acts as a multiplier and will ensure sustainable and successful U.S. foreign aid investments in sub-Saharan Africa.

The association’s international program — NRECA International — has been working in developing countries since 1962 as a collaborating partner with the U.S. Agency for International Development. Its global commitment has helped provide electricity to more than 110 million people in 42 countries.

NRECA is the national service organization that represents the nation’s more than 900 private, not-for-profit, consumer-owned electric cooperatives, which provide service to 42 million people in 47 states.

**New solar farms provide ‘solar surge’**

Three new utility-scale solar farms have begun producing power in North Carolina, racking up another 18.2 megawatts of power, equal to taking about 2,400 passenger vehicles off the road for a year.

The farms — in Laurinburg, Clarkton and Spring Hope — are home to 60,436 solar panels and are projected to produce 30 million kilowatt hours annually. The three new arrays will displace about 16,000 tons of carbon dioxide each year, about the same as providing electricity for 2,300 homes for one year.

A significant portion of the investment was managed by Washington, D.C.-based solar investment and financing firm Sol Systems, which developed the project, while National Cooperative Bank (NCB) served as the lender. “National Cooperative Bank has a strong commitment to the solar industry, and we look forward to working with Strata Solar and Sol Systems on future transactions,” says Matthew Wright, senior vice president for NCB.

Rural utility co-ops are also playing a major role in developing solar power in Iowa. Farmers Electric Cooperative in southeast Iowa is adding 2,900 solar panels to the state’s largest solar farm near Kalona, Iowa, adding to the region’s growing solar-power industry. The cooperative will buy the solar power generated by Eagle Point Solar, which built and owns the farm. The co-op is to take possession of the facility in about 10 years.

The solar farm will generate up to 1.1 million kilowatt hours per year, or enough energy to power about 120 homes. Heartland Power Cooperative is investigating options for a $1.5 million array of 1,200 solar panels near in north-central Iowa.

**Study to gauge co-op impact in Canadian city**

The Ontario Cooperative Association (On Co-ops) is conducting extensive research on the social, economic and environmental impact of cooperatives and credit unions within the city of Guelph, Ontario. The six-month study should be completed by this February.

Preliminary results of the study, “Why Co-ops Work: A Socio-Economic Impact Study of the Guelph Co-op Sector,” show that Guelph’s co-op sector includes finance, housing, information technology, agriculture, childcare, energy, retail, transportation, co-op development services and student enterprises. Guelph is a city of 120,000 people, about 100 miles west of Toronto.

Guelph is home to 58 cooperatives, credit unions and co-op insurance agency offices. These organizations employ more than 1,500 full-time workers and have about 7,500 members.

Financial co-ops (which include
The nation’s 100 largest cooperatives — including co-ops in all sectors of the economy — had combined revenue of $234.5 billion in 2013, up about 3.6 percent since 2012, according to National Cooperative Bank (NCB), which released its annual “NCB Co-op 100” list in October. (By contrast, USDA’s top 100 co-op list, which appeared in the September-October “Rural Cooperatives,” focuses strictly on agricultural and fishery co-ops).

“NCB’s report, along with our role in educating the public about the impact of cooperatives, are two ways the bank can connect with the community and showcase the economic contribution of this business model,” says Charles E. Snyder, president and CEO of NCB. “We hope more co-ops celebrate their successes and connect in the community to share their stories.”

The top two revenue-producing co-ops, by economic sector, in 2013 were:

- **Agriculture:**
  - CHS Inc., Saint Paul, Minn., $44.5 billion in revenue; No. 1 overall on the NCB Co-op 100;
  - Land O’ Lakes Inc., Saint Paul, Minn., $14.2 billion; No. 2 overall.

- **Grocery:**
  - Wakefern Food Corp., Keasbey, N.J., $11.5 billion; No. 4 overall;
  - Associated Wholesale Grocers Inc., Kansas City, Kan., $8.4 billion; No. 6 overall.

- **Hardware & Lumber:**
  - ACE Hardware, Oakbrook, Ill., $3.9 billion; No. 9 overall;
  - Do It Best Corp., Fort Wayne, Ind., $2.7 billion; No. 14 overall.

- **Finance:**
  - Navy Federal Credit Union, Merrifield, Va., $3.7 billion; No. 11 overall.

- **Energy & Communications:**
  - National Cable Television Cooperative Inc., Lenexa, Kan., $2.5 billion; No. 17 overall.
  - Basin Electric Power Cooperative, Bismarck, N.D., $2 billion; No. 21 overall.

While the companies and rankings change year to year on the list, the cooperative sector continues to advance, playing an increasingly influential role in the national and global economy, Snyder notes.

As a long-time advocate for cooperatives, NCB’s mission is to provide critical financing to support the growth and expansion of cooperative businesses while also deploying hundreds of millions of dollars to support underserved communities and cooperative expansion initiatives.

“NCB and other cooperatives named on the NCB Co-op 100 list are continually hard at work on getting the message out on the advantages of member-owned organizations,” Snyder says.

Co-ops provide over 2 million jobs and create more than $75 billion in annual wages with revenue of nearly $650 billion, NCB notes. Although similar to other business models, a cooperative has several unique features. It is owned and controlled by its members, who have joined together to use the cooperative’s goods, services and facilities.

By pooling resources, NCB says that members can leverage their shared power to buy, sell, market or bargain as one group, achieving economies of scale and sharing in any profits generated. In addition, communities benefit both socially and fiscally by the cooperatives’ ability to access and deliver goods and services from across the nation.

The entire NCB Co-op 100 report is available at: www.coop100.coop or at: www.ncb.coop.
credit unions and insurance co-ops) represent about 65 percent of all jobs related to the local co-op sector in the city. The Guelph Technology & Design Cluster Cooperative represents about 20 percent of the city’s information technology jobs.

“A community report of this magnitude has never before been produced,” says Peter Cameron, On Co-op’s development manager and coordinator of the study. “It will be beneficial to us when speaking with government officials on the significant impact that cooperative businesses have in the region. We will also be able to establish a template for other regions to adopt when compiling their own localized statistics.”

**Patrie changing roles at CEDC**

Bill Patrie is stepping down as executive director of the Common Enterprise Development Corporation (CEDC), in Mandan, N.D., effective Dec. 31. He will continue on staff as a senior co-op developer to serve existing clients.

CEDC is an economic development corporation that focuses on assisting cooperatives and mutually owned enterprises in the Dakotas and Minnesota. It also supports cooperative educational initiatives across North America.

The CEDC board met in early October for a visioning and strategy session to discuss the future direction of the organization and to ensure a smooth transition in leadership. The CEDC board has named Tyler Demars as interim executive director, effective Jan. 1. He is currently director of community and cooperative development for CEDC. The board will conduct a search for a new executive director.

Patrie previously served for 16 years as the rural development director for the North Dakota Association of Rural Electric Cooperatives (NDAREC) in Mandan. While at NDAREC, Patrie worked on more than 104 projects, representing an investment of debt and equity of more than $800 million.

“Bill is the ever-present optimist. His ‘we-can-do-this’ attitude was always on duty and display,” says Lori Capouch of NDAREC.

Patrie has been engaged in development efforts for Native American Nations involving agriculture, energy, housing and healthcare. He has also served as the executive director of the North Central Regional Planning Council in Devils Lake and as the director of the North Dakota Economic Development Commission during the administration of Governor George Sinner.

Patrie is a founding member of CooperationWorks!, a national organization of cooperative development centers and practitioners. “Bill helped create a training program for new cooperative developers that is now in its 10th year. Alumni of this training program are now creating cooperatives across the nation,” says Audrey Malan, former executive director of CooperationWorks!

A natural storyteller, Patrie is the author of “Creating Co-op Fever: A Rural Developer’s Guide to Forming Cooperatives,” a USDA publication on starting cooperatives. He also published “100 Stories of Hope” in 2005. This book is based on his 100 interviews of those living in poverty. Patrie is also a frequent contributor to “Rural Cooperatives” magazine.

He has received a number of awards for his contribution to cooperatives including the Honored Cooperator Award from the National Cooperative Business Association, the National Farmers Union’s Cooperative Service Award, and the John Logue ACE Award presented by the Association of Cooperative Educators.

**Co-op Foundation grants support education**

The Cooperative Foundation is awarding nearly $45,000 in grants to support 13 cooperative education projects. The foundation’s mission is to expand and enhance cooperatives
through research, teaching, extension, innovation and development.

The two largest grants were:
• $7,300 to ROC USA to help community-resident leaders of cooperatively owned manufactured home parks attend the NeighborWorks Community Leadership Institute.
• $7,500 to the University of Wisconsin Center for Cooperatives to develop a set of online financial tools for use in member education, board training and new cooperative development.

The foundation also revised its grant-making guidelines to provide better guidance to applicants and announced a new social investment initiative.

Hoop house construction guide available

Steve Upson, a Noble Foundation horticulture consultant, has authored The Noble Foundation High Tunnel Hoop House Construction Guide, which draws on Upson’s 17 years of experience designing, constructing and using hoop houses (a type of unheated greenhouse that uses plastic sheeting). The publication contains a detailed review of the various models of permanent and moveable hoop houses, as well as traditional and novel building materials and methods used in construction.

Many small, local food co-ops are using hoop houses to expand their growing seasons.

In the past, Upson says he had been hesitant to produce a construction guide because hoop house design and construction techniques have constantly evolved during the past 20 years. However, with few detailed publications on hoop house construction being available, he set forth to develop a resource to meet the need.

“My intent was not to offer a complete set of construction plans for any particular type or size of hoop house,” Upson says, “but rather to introduce novice growers and hoop house builders to the various tools and techniques used in constructing a wide range of hoop house models.

“Admittedly, my experience with hoop house structures has a Southern flavor,” Upson says. “Therefore, the guidelines may, or may not, have application in other regions of the country. However, careful study of this publication prior to purchasing a hoop house kit or materials to custom-build a structure will save the builder time, money and frustration.”

The 96-page, full-color publication is accessible on the Noble Foundation website at: www.noble.org/ag/horticulture/hoop-house-construction-guide.

Gauging Performance

continued from page 27
relative to one another, reflecting the challenges of operating in the dynamic dairy industry over the past two decades.

Performance did improve for the majority of the surviving cooperatives of mergers and consolidations, at least initially. In the time periods under consideration, larger was not necessarily better, as at least some of the larger scale cooperatives did not perform as well as the rest of the cooperatives. To finance their operations, some of the larger scale cooperatives also relied more on debt and less on equity than the rest of the cooperatives.

Some words of caution are in order regarding measuring cooperative performance. A cooperative is a membership organization as well as a business entity. It has to achieve its business goals but also has to satisfy its members’ objectives. Besides expecting good returns by marketing milk through the cooperative, dairy farmers also look to the cooperative to provide many other services to help sustain their farming operations. The benefits of providing such member services may not be fully measurable and thus may not be fully reflected in the financial statements.

The board and members should be cognizant of the value of such benefits, in addition to financial returns, when evaluating their cooperative’s performance. They should also take their cooperative’s pricing policies into consideration, because the distinction between a cooperative’s milk pay prices and net savings is not clear-cut. In the end, there is no substitute for a well-informed membership and a vigilant board that understands the complexity of operating a cooperative to adequately oversee its operations and satisfy members’ expectations.
sustainable over the long term.

“The largest use of the VAPG funds will be to develop systems that will let us consistently replicate our products and our operational systems, so that our products will be consistent and our business model will be sustainable,” says Bee Tolman, one of the co-op’s original organizers and current director. This will include establishing systems for recipe development and documentation, standard operating procedures and inventory management, customer and sales database management, staff training practices and development of an employee handbook.

“Butchers are scarce, particularly if whole-animal utilization and craft butchery is required,” Tolman says. “So our best means of securing a skilled butchery team is to train in-house. Thus, the second-largest use of the VAPG will be for training junior staff in the arts of butchery, starting with primary fabrication, but moving into seam butchery, craft butchery and charcuterie. The third, and smallest, use of the funds will be for marketing efforts, ranging from getting our logos out into the marketplace, to in-store demonstrations and sampling events.”

In addition to the retail trade, the co-op has about half a dozen small wholesale accounts and would eventually like to open a second store, Rhoads says. The co-op operates a CSA (community supported agriculture) service that makes monthly deliveries of frozen local meat to subscribers. The CSA may be expanded in the future to include twice-monthly or weekly deliveries.

Members share passion for ‘local’

The producer-members of Side Hill Farmers Co-op reflect the face of the burgeoning local foods movement.

Among the founding members of the co-op are Paul and Cindy O’Mara. Until the mid-1980s, they were primarily commercial vegetable growers in Madison County, east of Syracuse, selling most of their veggies to Birds Eye. But when the local Birds Eye plant closed, it nearly took down their farm with it.

While the O’Maras also grew grain, the sudden loss of their primary vegetable market hit the farm hard. “That first year without the vegetable production, income was tough — we had to do side jobs to buy groceries,” Paul O’Mara recalls.

So the O’Maras diversified. They started growing alfalfa, hay and corn silage for dairy farmers around them. Because their rented land was better suited to grazing than crop production, “we diversified some more and added some beef cows,” O’Mara says.

The beef operation has grown into a 60-head herd today for the O’Maras, who also farm with their sons, Scott and Ryan. Their guiding philosophy, Paul says, is that: “People should know where the cows are raised, how they’re taken care of and that they’re raised by somebody who cares. To me, it’s important to know where our food comes from, otherwise there’s no guarantee of its quality.”

**NY farmland more affordable for Ohioans**

Daniel and Joanna Kline are also producers whose animals are marketed through the Side Hill Farmers butcher shop. They moved from Ohio eight years ago to start Ingalls Side Meadows Farm in Perryville, Madison County. “To buy a farm in Ohio required a lot of cash — generally between $10,000 and $20,000 per acre,” Daniel Kline explains. “Land prices push some people out.”

The Klines wanted to farm and direct-market their products to the local community. “We chose Madison County because of the small farms, the rolling hills and particularly the Honeoye loam soil and the climate. Because of the ‘lake effect,’ there aren’t many actual droughts here, not like they have in Ohio,” he says.

The Klines pasture-raise their chickens, pigs, beef cattle and turkeys. Chicks are started in a chicken house but are soon moved to a hoop house out on pasture. The chickens receive fresh pasture every day and are fed non-GMO (genetically modified) grains and organic minerals. “But there’s no substitute for the natural thing — we can’t substitute what they can get in the grass,” says Kline.

On the Klines’ diversified, “polycultural” farm, the various species all complement each other on pasture. The horses eat what the cows don’t, then the chickens follow and scratch everything apart to eliminate fly problems.

“We wanted a connection to the land — to be good stewards of the land,” Kline says. “I see the land improving here, and we’ll leave it better for the next generation.”

For more information, visit the co-op’s website at: www.sidehillfarmers.com, or visit the retail shop’s facebook page at: Facebook/side hill farmers.
Of the 539 cooperatives that merged, consolidated or were acquired by another cooperative, 53 no longer exist. Ten of the 53 cooperatives had become IOFs by 2013 while 43 merged yet again with another cooperative and thus no longer exist under the prior name.

Multiple merger cooperatives

Another 44 cooperatives were involved in multiple mergers with other cooperatives. These 44 co-ops each represented the merger of three or more co-ops — accounting for a total of 246 cooperative mergers. The number of mergers for these 44 co-ops ranged from 3 to 53 mergers, with a median of 4 mergers per cooperative. The multiple-merger cooperatives accounted for $7.5 billion of the $13.9 billion in sales of cooperatives that merged.

Regional cooperatives have interstate sales and, as such, are generally larger than local cooperatives with only intra-state sales. Regional cooperatives that were involved in more than 3 mergers acquired a total of 70 cooperatives, representing $2.3 billion in sales (31 percent of the $7.5 billion sales total). Included in this merger group are 8 cooperatives that had more than $100 million in sales. Regional cooperatives acquired from 4 to 53 cooperatives.

Local cooperatives that were involved in more than 3 mergers acquired 176 cooperatives with a combined $5.2 billion in sales (69 percent of the $7.5 billion total sales). Local cooperatives in this group merged with 9 other cooperatives that had more than $100 million in sales. The number of cooperatives acquired ranged from 4 to 9 cooperatives.

Merger by co-op type and state

Tables 3 and 4 show co-ops that ceased operations, based on type of co-op and their home state. Any states or co-op types that represented less than four co-ops were eliminated from the table.

Focusing on co-ops types, farm supply and grain/oilseed cooperatives dominated, as would be expected since they are by far the most numerous type of cooperative in USDA’s database. Supply cooperatives comprise 40 percent of the overall co-op database and 36 percent of the cooperatives that ceased operations. Grain and oilseed co-ops comprised 22 percent of all co-ops and 26 percent of those that ceased operations during our survey time period (table 3).

By state, North Dakota and Minnesota had the most cooperatives that ceased operations (8 percent), while they are home to 7 percent and 9 percent (respectively) of all ag cooperatives. Iowa and Texas ranked next, accounting for 7 percent of the cooperatives that ceased operations and 4 percent and 8 percent (respectively) of all ag cooperatives.

Iowa, Minnesota and North Dakota had the most cooperatives that merged, consolidated or were acquired by other cooperatives, with at least 50 from each state.

Farm growth fuels co-op growth

USDA’s Census of Agriculture shows that average per-farm sales of $47,424 continued from page 13

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<tr>
<th>Number</th>
<th>Cooperative merger, consolidation or acquisition</th>
<th>Investor owned-firm acquisition or conversion</th>
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1 States with less than four or more cooperatives.
family joined Michigan Blueberry Growers Association, a grower-owned cooperative, and the year Kubiszak’s father, Bill Fritz, was born.

Like his farming predecessors, Fritz has continued the family tradition of active agricultural leadership by serving on the boards of both MBG Marketing and Naturipe Farms, of which MBG is an owner/partner. “We were absolutely delighted when we learned that Kristin was selected for this program” says Fritz. “She is a wonderful representative of the next generation that has the desire and drive to continue our commitment to family farming and the broader agricultural community.”

Kubiszak and the other honorees were congratulated by Secretary of Agriculture Tom Vilsack and recognized at a ceremony in the White House by Deputy Secretary of Agriculture Krysta Harden and Assistant to the President and Director of the Domestic Policy Council Cecilia Munoz. They were given a tour of the First Lady’s Garden at The White House by Sam Kass, President Barack Obama’s senior policy advisor for nutrition policy and the executive director of the Let’s Move program.

“It was a true privilege to represent the blueberry industry as a Champion of Change,” Kubiszak says. “Since we grow blueberries, which are known for their great flavor and incredible health attributes, I was especially pleased to learn first-hand about some of the efforts by the First Lady to encourage children to eat a healthy, brighter array of fresh fruits and vegetables. It was great to share the story of our family blueberry farm. It has always been a passion of mine to educate others about what we do, and this was another great opportunity.”

To learn more about “Champions of Change” visit: http://www.whitehouse.gov/champions. For more information about Naturipe, visit: www.naturipe farms.com or https://www.facebook.com/Naturipe.

Staying relevant

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cooperative retail stores,” Krisle says. “This is one example of how we look to meet the changing needs of our member cooperatives and the producers.”

Regulation concerns

Large-scale farmers say government regulations are as important to them as commodity prices and input costs. Specifically, they are concerned about the lack of understanding about agriculture among consumers and policymakers.

According to the research, 50 percent of large-scale farmers look to cooperatives as a source of information regarding regulations.

“Farmers appreciate the fact that their cooperatives are educating policymakers about the science of today’s agriculture,” Conner says, “because they are hopeful that better understanding leads to policy that is practical to implement and effective in achieving a beneficial outcome.”

in 1978 grew to $187,097 in 2012, an annual growth rate of more than 11 percent. That’s almost double the rate of inflation experienced in the consumer price index during that period. Farms have increased in size, sales and complexity, and their owners have supported the corresponding growth of their cooperatives.

Cooperatives are owned by their farmer members and, as such, will continue to operate to serve their members’ changing needs. Farmer co-ops that continue to thrive do so because they have been ready to add the products, services and markets that their members desire.

Growth in cooperative size will likely continue as co-ops position themselves to better compete with both investor-owned firms and other cooperatives. The fastest way to grow a cooperative, or any business, is through merger, consolidation or acquisition.

One of the most recent cooperative mergers occurred in September in Nebraska when Central Valley Ag Cooperative in O’Neill merged with United Farmers Cooperative in York. According to a press release, this merger provides “opportunity for expanded services and facilities, increased savings and accelerated equity redemptions for the benefit of our member-owners. [The cooperative] also expects to be able to attract and retain the best employees to provide world-class service for every customer.”

As of today, this larger cooperative would rank number 20 on USDA’s top 100 cooperative list. At least two-thirds of the memberships of each co-op voted to “grow” this business — which they own and control through their elected directors. Similar economics and member needs can be expected to drive other cooperative mergers in the years ahead.
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**Affordable Care Act**

**Getting Covered is Good for Rural America**

Living in a rural community shouldn’t have to come with a hefty price tag for health care. Thanks to the Affordable Care Act, it no longer has to. Find out more at healthcare.gov or 1-800-318-2596—because no one should go without health care because of where they live, or be forced to leave the communities they love to get the coverage they need.

**Rural Americans face significant challenges when it comes to getting the health care they need:**

- **One in five farmers is in debt because of medical bills.**
- **50%**
- Prior to ACA, on average, rural families paid nearly 50% of health care costs out of pocket.
- **Rural Americans suffer from higher rates of chronic conditions like diabetes, heart disease, and high blood pressure than those living in urban areas.**
- **One fifth of America’s population lives in rural areas, but only 10% of physicians practice there.**

**The Affordable Care Act dedicates substantial new resources to address these challenges:**

- **Expands the National Health Service Corps, which offers scholarships and loan repayment in return for practicing in rural areas. 3,500+ Corps clinicians serve in rural areas. An average of 86% will continue to practice in rural communities after their term of service has ended.**
- **7.5 million**
- Expands funding for community health centers, where 7.5 million rural Americans get access to primary and preventive care.
- **Tax credits and affordable insurance options to help rural families get covered, even if they are self-employed. 7 out of 10 Americans have found coverage for less than $100 a month.**
- **$3 billion+**
- USDA has also invested more than $3 billion since 2009 to build rural hospitals and clinics and support telemedicine services for remote rural areas.

Find out how you can get covered at healthcare.gov or 1-800-318-2596.
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