

# Rural COOPERATIVES

July/August 2013



The Art of  
Co-op Branding

# Commentary

## Fanfares for the common man

By Dan Campbell, editor



Quiz: What do artist Norman Rockwell, movie director George Lucas and Sun-Maid raisins have in common?

If you've looked at the cover of this issue, you may already have a rough idea of the connection between Sun-Maid and Rockwell. In the 1920s, the raisin cooperative commissioned Rockwell to produce several paintings that were used to promote Sun-Maid raisins, part of the co-op's "ahead-of-its-time" food brand development strategy.

Lucas enters the picture because he is one of the world's great admirers and collectors of Rockwell's art, as is fellow movie director Steven Spielberg. Indeed, the two Hollywood moguls shared 57 paintings from their Rockwell collections during a special exhibition at the Smithsonian American Art Museum here in Washington, D.C., two years ago.

When I was in college in the 1970s, I recall my art history professor making disparaging remarks about Rockwell, whom he dismissed as a "mere commercial illustrator of cornball, overly sentimental" art. His taste in 20th century American art ran more to Andy Warhol's paintings of soup cans.

But the public has never lost its love for Rockwell's art; he is often referred to as "America's favorite artist." Rockwell's ability to see the hero in the common man, to find humor and drama in the activities of everyday life, and his ability to inject so much personality into his subjects that you would swear you know them, make him one of the great visual chroniclers of American life. Thanks in part to fans such as Lucas and Spielberg, there is an ongoing critical reassessment of Rockwell, helping to establish his rightful place among the great American artists of the past century.

In "Fruit of the Vine," produced for Sun-Maid, Rockwell



*Norman Rockwell's "Fruit of the Vine" depicts the preparation of a raisin dessert as something much more than a simple kitchen chore. In a 1967 letter to Sun-Maid, Rockwell said the elderly woman was the mother of his first wife. Artwork courtesy Sun-Maid Growers of California*

takes on a subject that others might view as the mundane task of pouring out some raisins while gathering ingredients for a raisin pudding or cake. He transforms this kitchen chore into a loving ritual of daily life, perhaps at a time when raisins were a bit more of a "luxury" food item than they are today. There is more than a passing similarity to the way Jan ("Girl with a Pearl Earring") Vermeer portrayed Dutch household life in the 17th century.

Once asked to pick his favorite Rockwell painting, Lucas named "Peach Crop," a painting he owns, which was created to illustrate a short story by Ruth Burr Sanborn in the April 1935 issue of *American Magazine*. It tells the tale of a medical student who spends a summer working in a peach orchard to pay for his final year of tuition. There he falls in love with the daughter of a poor sharecropper. In the painting, the med student is

trying to revive the young woman after she has apparently worked to a state of exhaustion, her hands bandaged from the wear and tear of the labor.

The painting dramatizes the incredibly hard work that goes into every meal we sit down to. It is easy to see why it would have such meaning for Lucas, who grew up amid the peach orchards and vineyards that surround Modesto, Calif. He says it brings him to a "dead stop" every time he sees it, and he marvels at the story-telling power Rockwell captured "in a single frame."

Sun-Maid members and employees must have been proud then, and now, to have such a wonderful link established between Rockwell, a master of the brush, with their own mastery of the vineyard and packing plant. For it is indeed a work of art to bring forth such a bounty of fruit from the near-desert of the San Joaquin Valley. Rockwell and Sun-Maid — an early, highly successful, co-op marketing joint venture! ■

# Features

Volume 80, Number 4  
July/August 2013

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

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

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

Unless otherwise stated, articles in this publication are not copyrighted and may be reprinted freely. Any opinions expressed are those of the writers, and do not necessarily reflect those of USDA or its employees.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice), or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.



Tom Vilsack, Secretary of Agriculture

Doug O'Brien, Acting Under Secretary,  
USDA Rural Development

Dan Campbell, Editor

Stephen Hall / KOTA, Design

Have a cooperative-related question?  
Call (202) 720-6483, or email:  
[coopinfo@wdc.usda.gov](mailto:coopinfo@wdc.usda.gov)

This publication was printed with vegetable oil-based ink.



p. 14



p. 22



p. 28

## 4 Pennsylvania Bred and Fed

Keystone Beef's aggregation and marketing boosts income for small-scale cattle producers

## 8 From Rhode Island to Puerto Rico, co-ops 'adding value' with USDA support

## 11 A 'Real Pickle' for workers

Food processor re-forms as worker co-op to maintain role in local food system

By Joe Rinehart

## 14 The Face of the 'Franchise'

Brand development key to Sun-Maid's sweet century as raisin industry leader

## 22 A Way with Words...and pictures, and websites, etc.

CCA salutes best in co-op communications

## 28 Battlefield Lessons

Gettysburg Leadership Experience demonstrates that lessons from 150 years ago are still relevant

## 31 Director Diligence

Co-ops should assess director skills for fulfilling duties

By James Wadsworth

## 34 Premier Co-op adapts equity policy to reflect changing membership

By Margaret Lund

## 36 Co-ops urged to plan now for Co-op Month activities

## Departments

2 COMMENTARY

32 CO-OPS & COMMUNITY

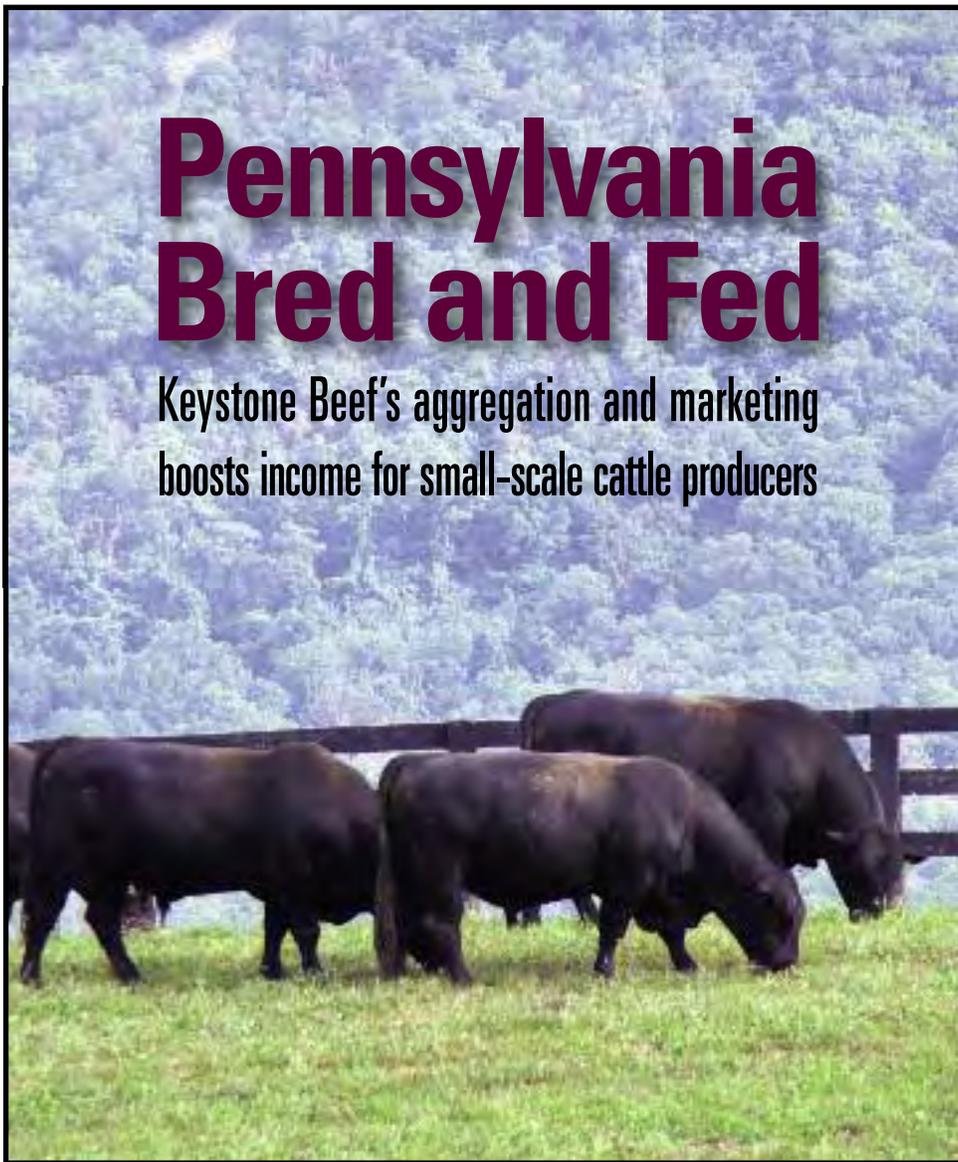
38 NEWSLINE

**ON THE COVER:** By employing talented artists, most notably Norman Rockwell (whose "Market Day Special," from 1927, is seen here), Sun-Maid helped boost the popularity of raisins as a cooking ingredient and snack. On the co-op's 100th anniversary, we look back at some milestone marketing achievements. See page 14.



# Pennsylvania Bred and Fed

Keystone Beef's aggregation and marketing boosts income for small-scale cattle producers



*Editor's note: Lyn Millbiser, management and program analyst with the Cooperative Programs of USDA Rural Development, and Jim Henry, president of Keystone Beef Marketing Network, contributed to this article.*



**N**early 200,000 beef calves are raised each year on more than 12,000 farms in Pennsylvania, yielding gross receipts that top \$600 million. That makes beef the state's second most valuable agricultural commodity (dairy ranks first).

About 96 percent of the state's beef is produced on small family farms that average fewer than 50 head. These producers are highly dependent on income from the sale of their livestock, but the small scale of their operations hurts their profitability in an industry that increasingly buys calves only in large quantities.

Pennsylvania's family farms have traditionally sold beef calves in small lots of about 10 head, usually through the state's 31 licensed auction barns or buying stations. Large cattle backgrounders (see sidebar, page 7), however, prefer to buy 500-pound calves in 90-head truckloads. As a result, Pennsylvania cattle producers receive an

average of \$100 to \$150 less per head than do beef producers in states with larger cattle operations and/or an infrastructure that supports producer-aggregated marketing and sales.

The lost income is often reaped by dealers who buy calves from these small farms, then aggregate them, capturing higher prices by offering the larger volumes sought by backgrounders, many of which are based out of state.

### **Keystone Beef helping small producers**

Helping small producers address this market imbalance is the Keystone Beef Marketing Network (KBMN), formed in 2010. It is not only helping producers aggregate and market their cattle jointly to boost their income, but

also to realize the value added that comes from marketing “natural” and “local” beef.

Jim Henry, a long-time Pennsylvania cattleman and a co-founder of KBMN, says the lack of aggregation of small lots of cattle has resulted in a “highly fractured market” that has hurt producers in the Keystone state. “With more than 50 percent of Pennsylvania calves currently exported to backgrounders in other states, individual producer sales to dealers not only reduces producer income...but also dilutes the remaining availability of ‘Pennsylvania bred and fed’ cattle to meet local and regional market demands at premium pricing,” Henry says.

Increasing consumer interest in food

safety and knowing the source of their food is expanding demand for locally grown and all-natural beef products. KBMN is addressing this demand by marketing its members calves as “Pennsylvania bred and fed” — cattle born, raised and harvested in Pennsylvania by farmers who adhere to their association’s quality-assurance protocols, including traceability to the farm that produced the beef.

### **Developing a value-added supply network**

To illustrate the producer-based aggregation and marketing deficiency in Pennsylvania, Henry and fellow cattleman John Sargent presented multi-year statistics of calf sales from three livestock auction barns to the

*“Our cattle are fed a grass-only diet, from birth to harvest,” says “Uncle” Bob Boyce. He and his wife, Kate, raise Black Angus beef cattle (also seen on opposite page) near Carlisle, Pa. Bob Boyce is board secretary for the Keystone Beef Marketing Network (KBMN). Photos courtesy KBMN.*



Pennsylvania Department of Agriculture (PDA) in March 2010. Their data documented substantial loss of producer income under the current marketing system. Convinced of the need for — and the benefits to be derived from — aggregated beef marketing and sales, the PDA awarded a \$115,000 two-year grant to help launch an effort to promote greater use of cattle aggregation and sales coordination.

This funding spurred Henry and Sargent to co-found KBMN in New Bethlehem, Pa. KBMN is a nonprofit agricultural producer group legally formed in June 2010. It operates with a volunteer board of directors that is

entirely comprised of Pennsylvania cattle producers. KBMN's primary purpose is to coordinate statewide cattle programs to enhance Pennsylvania cattle producers' profitability through aggregated marketing and sales of "Pennsylvania bred and fed" beef stock.

Current inventory management requires sales to both local and regional markets, but KBMN's mission includes a special emphasis to develop the cattle backgrounder industry in Pennsylvania as a key component in the production cycle. The ultimate goal is to provide Pennsylvania beef products to Pennsylvania retailers, while keeping family farmers in business.

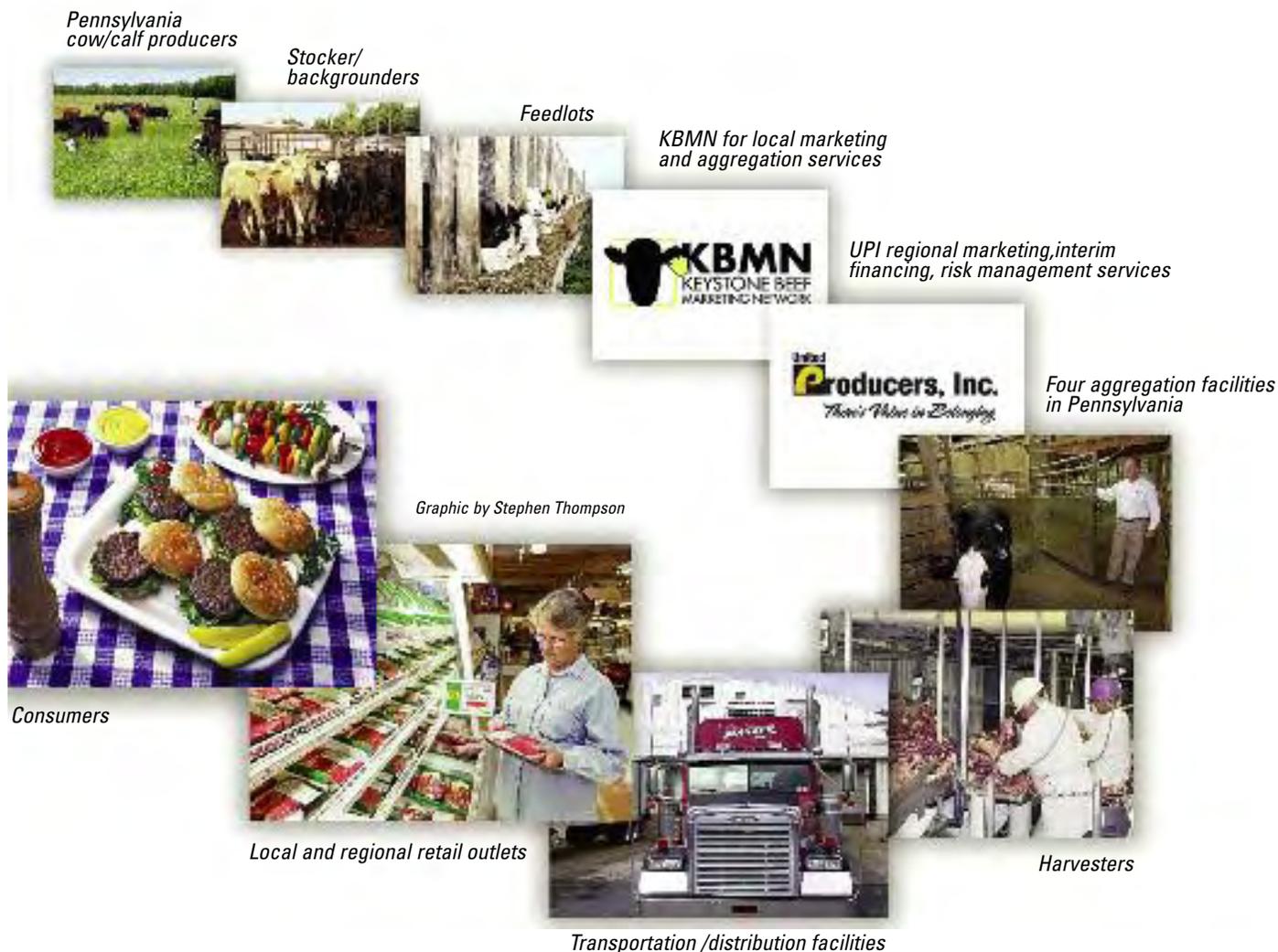
After using PDA's grant to launch

KBMN, discussions ensued with United Producers Inc. (UPI) in Columbus, Ohio, a large farmer-owned and operated livestock-marketing cooperative. In addition to livestock marketing, UPI provides financial and risk management services to agricultural communities in Kentucky, Illinois, Indiana, Michigan, Missouri and Ohio. Pennsylvania can now be added to that list of states served, because the discussions resulted in KBMN entering into a management contract with UPI.

### Ohio co-op performs key functions for Keystone

UPI, which handles about 3 million head of livestock annually for 35,000

## Beef supply chain roles



## Key beef industry sectors

**(1) Cow/Calf Producers:** Raise calves from birth to 500 pounds, which typically takes 7-8 months. USDA estimates that Pennsylvania's beef cow population, including heifers, is 200,000 head and slowly trending upward. These cattle operations are predominantly in western Pennsylvania, with other key producers in north central counties and in the extreme southeast corner of the state.

**(2) Stockers/Backgrounders:** Are the primary customer for weaned calves of 400 to 600 pounds, which the backgrounder then grows to 800-900 pound yearlings ready for finishing (or fattening). Backgrounder facilities are limited in Pennsylvania (there are 25 currently that market 6,400 head per year). More than 50 percent of the beef calves are sold out of state because of the lack of backgrounder operations.

**(3) Feedlot:** The final production step, where animals are finished on high-energy rations for 2-4 months, until they reach about 1,200-1,300 pounds and are ready for processing (average age of 18-20 months). Pennsylvania has 327 feedlots with a capacity of at least 100 head; total feedlot capacity is 160,000 head annually. Feedlots representing about 40 percent of the state's capacity are concentrated in Lancaster, York and Lebanon counties.

**(4) Harvesters:** Perform either "semi-processing" for retailers, who then complete further processing, or the harvester may perform custom processing to produce finished beef cuts for the retail trade. Two major custom processors operate in Pennsylvania, both of which also provide logistics for storage and distribution of finished beef products. ■

members, is a critically important partner in the KBMN-organized supply chain. UPI performs many key functions, including:

- maintains custodial financial accounts to facilitate sales to backgrounders and feedlots;
- provides short-term financing of operational costs for active inventory management, including sales to feedlots, pre-conditioning (such as vaccinations), acclimating weaned calves to dry feed environments, and castrations;
- provides regulatory oversight for compliance with the Packers and Stockyards Act;
- provides risk management services; and

- provides administration and payroll services for all of KBMN's marketing and sales activities.

Working together, UPI and KBMN facilitate the collection of calves into consolidated loads, purchase and sell cattle in local and regional markets, and develop in-state infrastructure for increased local sales, which reduces transportation costs, and additional premiums. They also conduct competitive analysis or bidding and price discovery before cattle leave the farm and define and administer protocols to optimize value and increase revenue for producers.

With KBMN at the helm to represent "Pennsylvania bred and fed" cattle producers, its farmer-members

are now treated as strategic partners in the marketing process, not as "interchangeable input suppliers." Producers participate fully in value-chain decisions to optimize their collective interests. Prices are negotiated based on production and transaction costs, plus a reasonable margin or increase in value-added derived revenue that is returned to the cattle producers.

### Adding value to increase producer revenue

Aggregation alone adds \$100 to \$150 per animal when sold as a weaned calf or yearling, Henry estimates. By marketing "locally grown beef," consistent with USDA's *Know Your Farmer, Know Your Food* effort, feedlot producers can average an additional \$60 per carcass, with \$20 each going to the cow/calf producer and the backgrounder.

During the aggregation process, cow-calf producers must vaccinate their animals to reduce health risks to the calf. Healthy animals not requiring antibiotic treatment or growth stimulants qualify as "naturally" reared beef. Market premiums average \$90 per head for "natural" cattle, with shared premiums negotiated between the calf producer, backgrounder, and feedlot.

Additional savings result from reduced transportation costs when cattle remain within Pennsylvania. By selling cattle locally, "shrinkage" (weight loss) during shipping is reduced, freight costs are reduced, and auction barn sale expenses are reduced or eliminated, adding another \$50-\$75 per head.

KBMN says its program is thus helping producers realize up to an additional \$315 per head, based on a 1,200-pound finished animal grading "choice." All "Pennsylvania bred and fed" animals wear an identifying ear tag throughout the supply chain process. The ear tag shows its "KBMN identity," and an affidavit of source

*continued on page 46*

# *From Rhode Island to Puerto Rico* **Co-ops 'adding value' with USDA support**



**T**he glasses were held high in a celebratory toast, then tipped back to deliver a taste of farm-fresh, home-grown Rhode Island milk. There were smiles all around from state and local political leaders, dairy farmers, guests and media who had gathered to celebrate the latest milestone in the life of a small farmers' co-op formed nine years ago to help save the state's few remaining dairy farms.



The cause for celebration in early May at Louis Escobar's Middle Road Farm, near Portsmouth, R.I., was to mark the latest endeavor of the Rhode Island Dairy Farms Cooperative: the launch of Rhody Fresh Butterkase cheese, a hand-crafted, German-style soft cheese. The cheese is being custom made for the co-op at Narragansett Creamery, using milk from Rhody Fresh member dairy farms.

USDA Rural Development is helping the co-op launch its new product with a Value-Added Producer Grant (VAPG) for \$150,000. In 2009,



the co-op also received a \$32,000 VAPG to develop a plan for the expansion of operations for cheese production.

About 2,500 miles away, a co-op owned by a dozen plantain growers in Puerto Rico was also celebrating its award of a \$300,000 VAPG from USDA. The funds will help the co-op expand its customer base and reach new markets. The Asociación de Productores de Farináceos del Este, near the island's southern municipality of Yabucoa, will now be able to

Facing page (top): U.S. Senator Jack Reed of Rhode Island (middle) joins Rhody Fresh member Louis Escobar (right) and another dairy farmer in drinking a milk toast to the co-op's new cheese offering. Facing page (lower): Escobar does media interviews during a ceremony to launch Rhody Fresh Butterkase cheese. Below: Co-op cheese was available for sampling at the event. Photos courtesy Rhody Fresh

significantly expand its acreage and production.

### 110 VAPGs awarded

The Rhode Island and Puerto Rico co-ops received just two of the 110 VAPGs worth a total of \$16.8 million that USDA Rural Development awarded in May to agricultural producers nationwide, including nine farmer co-ops and a number of quasi co-op groups.

In total, 269 eligible applications competed for VAPG funding. Winning a VAPG is a highly competitive process.

demonstrated commitments and support from agricultural producers, end-users and strategic third-parties engaged in the project; and (5) quantitative and narrative descriptions in the work plan and budget relating to eligible activities and sources and uses of all funds.

“This support will benefit rural businesses and the communities where the recipients are located,” Agriculture Secretary Tom Vilsack said when announcing the awards. “These awards also will advance USDA’s goals to develop a bio-based economy and

thereby increasing income for producers and producer co-ops and enhancing rural economies. For more details about the VAPG program — including deadlines to apply for next year’s grants — and to see a list of this year’s recipients, visit: [http://www.rurdev.usda.gov/BCP\\_VAPG.html](http://www.rurdev.usda.gov/BCP_VAPG.html).

### Co-op’s milk a hit with consumers

The Rhode Island Dairy Farms Cooperative was formed in 2004 by five dairy farmers who were determined to maintain their way of life in the face of the urban sprawl and development that had greatly reduced the ranks of dairy farmers. The co-op estimates there are only about 20 dairy farms left in the state, down from about 80 as recently as 1977.

“An aging farm population and the encroachment of urban development into rural areas” took its toll, the co-op says on its website. “Here, in Rhode Island, issues surrounding the price of milk and high land values are forcing producers out of business,” it continues. “The demand for subdivisions has raised the price of farmland so high in taxes that in many of the communities it has taken a lot of the farmers out.”

Today, the co-op includes eight dairy farmers who have been successful in saving their farms by marketing their own Rhody Fresh brand milk. The co-op’s milk has proven popular with consumers in Rhode Island who not only find it delicious, but who also support the ideas of the local foods movement and want to preserve the state’s farming culture and open spaces. Within the first six months of launching Rhody Fresh milk, the co-op met its three-year projected sales goal. In 2007 alone, the co-op saw sales jump 30



Applications are scored on a number of factors, such as: (1) the technological feasibility and operational efficiency of the project; (2) projected economic sustainability and profitability of the project; (3) qualifications and experience of the project personnel; (4)

support local and regional food systems.”

The goal of the VAPG program is to help agricultural producers enter into value-added activities, including processing and marketing activities for bio-based, value-added products,

percent.

“This grant will be used not only to create awareness of new Rhody Fresh products, but to help sustain a vibrant agriculture industry in this state — especially the local farm-to-table initiatives,” said Steve Volpe, chief operating officer of Rhody Fresh. “When you bring home Rhody Fresh, you’re bringing home a staple and you’re preserving open space,” added co-op member Escobar.

“I am pleased Rhody Fresh won this competitive federal grant to help increase production and promote the sale of fresh, local dairy products that are made right here in Rhode Island,” said U.S. Senator Jack Reed of Rhode Island. “Buying from Rhode Island farmers has important environmental, economic and health benefits. It also helps preserve open space and active farmland. This federal grant will help ensure our local dairy farmers can compete and earn a living by producing fresh, local products.”

### Co-op expanding Puerto Rico market

The VAPG awarded to the Asociación de Productores de Farináceos del Este should help increase the co-op’s annual sales of plantains from 580,000 to 850,000 pounds. This will also involve expanding farming from 23 to 34 acres.

The co-op members harvest green plantains and deliver them to a packing plant where the crop is sorted, cleaned (by submerging the fruit in a water and chloride solution) and dried. After drying, the fruit is packaged and placed in “carton cages.” Some of the fruit is peeled and vacuum-packed in different sizes for the retail market.

More than 85 percent of food sold in Puerto Rico is shipped in from outside the island. The co-op will be addressing the desire for more locally produced food by marketing its fruit as a “100 percent locally produced” Puerto Rican food product. This value-added strategy includes the use of a identity-preserved

marketing system that will reinforce the trust of customers in the product, based on their ability to know what farms grew the food and how it was grown.

The larger customer base and new markets established within Puerto Rico should greatly boost revenue for the farmers, helping to transform their co-op into a stronger, sustainable business,



*This plantain growers’ cooperative in Puerto Rico will use a Value Added Producer Grant from USDA to help boost its annual production from 580,000 to 850,000 pounds of fruit. Photo courtesy Asociación de Productores de Farináceos del Este*

according to José Otero-García, USDA Rural Development state director for Puerto Rico.

### Indian tribes now eligible for VAPGs

This year marks the first time that tribal entities have received funding through the VAPG program, and a number of Native American applicants received support for their projects. For example, the Ute Mountain Ute Tribe Farm & Ranch Enterprise of Colorado will receive about \$92,000 to bring a cornmeal product to market. This grant will help the tribe market and distribute

the Indian cornmeal products and secure customers.

The Ute Mountain Farm & Ranch Enterprise cultivates 7,600 acres of farmland. Lack of irrigation water is pushing the co-op to add value to the crop, since water availability limits the amount of food that can be grown. “Our emphasis has been on production

agriculture to date; now we want to vertically integrate,” said Paul Evans, Farm & Ranch’s general manager, according to an article in the Cortez (Colorado) Journal. “We want to go up [the value chain], because we don’t have any more water. The only way we can generate more revenue is to value-add.”

Deshler Farmers Elevator Co. in Ohio received a \$65,000 VAPG. The co-op will use the grant to conduct a feasibility study to determine the profitability of building a container-loading facility used to export non-GMO (genetically modified organisms)

*continued on page 44*

# A 'Real Pickle' for workers

*Food processor re-forms as worker co-op  
to maintain role in local food system*



*Real Pickles, now a worker-owned cooperative, is experiencing annual sales growth of about 25 percent. It offers 11 naturally fermented foods in its product line. Photos courtesy Real Pickles*

**By Joe Rinehart**

e-mail: [joe.rinehart@dawn.coop](mailto:joe.rinehart@dawn.coop)

***Editor's note:** Rinehart is rural technical assistance program coordinator and peer advisor for the Democracy at Work Network (DAWN), which assists in the development of worker-owned cooperatives.*



When Dan Rosenberg and Addie Holland founded Real Pickles in Greenfield, Mass., in 2001, it was with the intention of creating a different kind of

food processor. They aimed to create a business that was not only financially successful, but was also deeply rooted in the local community and that moved large enough volumes of vegetables to have a real beneficial impact on the local economy. In doing so, they also wanted to ensure that the volume of crop being handled did not come at the expense of the environment.

“We wanted to make a contribution to building a regionally oriented food system by running a small business based on organic and sustainable agriculture,” Holland said.

Today, 12 years after they founded it,

Real Pickles stands as a growing, profitable food company that helped to pioneer the naturally fermented food trend and which has ridden a “wave of success” as consumer demand has increased for such foods.

And while the business continues to fulfill the original mission of its founders, it no longer belongs to Holland and Rosenberg. It belongs to a worker-owned cooperative.

When Rosenberg and Holland decided it was time to free up more time in their lives by expanding the ownership, they concluded that a worker-owned cooperative could best

maintain the business as a keystone of the local food economy while continuing its reputation for excellence. Giving employees an ownership stake in the business would provide a strong incentive to help ensure that its outstanding workforce would stay with Real Pickles.

They were able to leverage the local and regional connections they had forged over the years and to use innovative financing mechanisms to raise funds needed to sell the business to its workers.

### **Naturally fermented product line**

Real Pickles buys all of its vegetables from organic sources, most within 40 miles of its home base. It sells only in the Northeast, creating strong local connections across the region. It purchases 250,000 pounds of local produce every year, most of it from six local farms with which the co-op enters into pre-purchase agreements in late winter. This allows the farmers to plan for the year ahead and secure needed financing.

Any crop shortfalls, usually due to weather, are made up from other farms in the Real Pickles' sales region: New England, New York, New Jersey and Pennsylvania.

Currently, Real Pickles manufactures 11 naturally fermented food products that "would not have been out of place on your grandmother's table," says Rosenberg. Pickled cucumbers and beets join Korean style kimchi, German sauerkraut and Ukrainian beet kavas among the co-op's delicious food offerings.

The co-op's production process relies on LactoBacilli bacteria and brine, rather than vinegar, to produce the acid necessary for pickling. All Real Pickles

***"A sale to employees helps guarantee the owners' legacy in the community."***



*Real Pickles buys about 250,000 pounds of local, organic produce – grown within 40 miles of its plant in Greenfield, Mass. – every year.*

products are unpasteurized.

Real Pickles products are available in most natural food stores in its marketing region, ranging from small food cooperatives to the Whole Foods grocery chain. The co-op's foods are also sold at farm stands and farmers markets across the Pioneer Valley region of Massachusetts, where the company is located.

With sales growing at a rate of 25 percent per year, Real Pickles has become an anchor for the rapidly expanding Pioneer Valley local food economy.

### **Co-op retains founding mission**

Once Holland and Rosenberg decided to sell the business, they looked at various ownership scenarios. After careful consideration, "a worker-owned cooperative felt like the most promising option," Rosenberg says. A worker co-op, they reasoned, would allow the worker-owners to include the business' mission in the co-op by-laws while also providing an incentive "for the great staff to stick around."

According to Margret Christie, executive director of Pioneer Valley's Communities Involved in Sustainable Agriculture, the question of mission retention is a common problem in local food ventures. "When the owners are ready to do something else — or just to shoulder a little bit less of the burden of keeping the business going — how can their commitment to regional sourcing be maintained? Real Pickles' decision to form a worker co-op [offers] one answer to this important question," says Christie.

It is an answer that is gaining momentum in rural areas, according to the U.S. Federation of Worker Cooperatives. Worker co-ops allow retiring business owners to realize the value of their company by selling it to

their employees while simultaneously helping to retain the positive impact (jobs created, local taxes paid, etc.) of a business on the local economy.

Selling to employees can also avoid the possibility that a competitor will buy a business and then shut it down, its primary goal having simply been the removal of a competitor. A sale to employees helps guarantee the owners' legacy in the community.

The business conversion process to a cooperative for Real Pickles included five of the company's 12 workers (including Rosenberg and Holland) who worked to define a new ownership and governance structure for the business. This entailed creating a board of directors. Holland and Rosenberg stayed on as part of the management team for several years.

The owners-to-be reaffirmed the long-term vision for the company, planned for new growth and re-worked the business plan to ensure long-term financial stability. They also set out terms by which more of the company's employees could join as owners. To date, two more workers are working towards becoming co-op owners, boosting the ranks of the worker-owners to seven.

The transfer to co-op ownership involved the five new worker-owners, each of whom invested \$6,000 to capitalize the new cooperative corporation. They also had to purchase the assets of the previous partnership and secure working capital.

### **Cutting Edge financing**

To raise funds for the purchase, the new owners turned to the community via a sale of preferred stock. The stock plan was developed with the help of Cutting Edge Capital, an Oakland, Calif., financial and law firm.

According to Jenny Kassen of

Cutting Edge, these types of stock offerings are increasingly popular with local food and other businesses that are seeking funds in a tight credit market. They allow the public to invest directly in a company. The firm must set a minimum individual investment (often \$1,000, but sometimes as low as \$100), set a maximum value of stock to sell and register in each state in which it plans to sell stock.

In the case of Real Pickles, the goal was to sell \$500,000 in stock in Massachusetts and Vermont, with a minimum investment of \$2,500. It was hoped this could be accomplished in 20 weeks.

Thanks to a well-planned marketing campaign and their widely respected brand name, the co-op was able to attract the 80 investors necessary in just eight weeks. The stock purchases ranged from the minimum \$2,500 to a \$25,000 investment from a local food cooperative and a \$50,000 investment from a local foundation.

The preferred stock is non-transferable, except to the cooperative, and does not afford the holder voting rights in the company's governance. Real Pickles says it expects to pay a 4 percent dividend per year. If all goes according to plan, in five years the co-op hopes to re-purchase all of the outstanding stock.

On May 9, Real Pickles Cooperative announced it had finalized the purchase of the previous company, closing one chapter in its history and, it hopes, ensuring its growth and success for years to come.

For more information about the co-op, visit: [www.realpickles.com](http://www.realpickles.com). For information on converting an existing business to a worker cooperative via a direct public offering, visit: [www.usworker.coop](http://www.usworker.coop). ■



*Loraine Collett was the original Sun-Maid raisin girl, who modeled for a painting in 1915 that became one of the nation's most iconic food logos. Photos and artwork courtesy Sun-Maid Growers of California*



## The Face of the ‘Franchise’

*Brand development key to Sun-Maid’s sweet century as raisin industry leader*

**O**ne day in 1974, Lorraine Collett slid open a dresser drawer and removed the carefully folded, red cloth bonnet she had first worn in 1915. More than just a keepsake from her youth, it was the sunbonnet she had worn while modeling as the original Sun-Maid raisin girl, a painting of which would become the brand logo for Sun-Maid raisins. If Helen of Troy was the face that launched a thousand ships, hers was the face that helped launch Sun-Maid on its voyage to success as one of America’s most recognized food brands.

After so many decades, the once bright red sunbonnet had started to fade to pink, but that made it no less precious to Collett. It must have been an

*Editor’s note: This article is based on excerpts, adapted by Editor Dan Campbell, from Sun-Maid’s 100th anniversary book. For a free download of the entire book, visit: [www.sunmaid.com](http://www.sunmaid.com).*

emotional decision when she graciously presented it to leaders of the Sun-Maid farmers' cooperative during a small ceremony in 1974.

When she first posed for the original watercolor painting, little did Collett or anyone at Sun-Maid realize that the artwork would become one of the most widely recognized product logos in history — a brand that would become synonymous with one of nature's sweetest, healthiest treats: the California raisin.

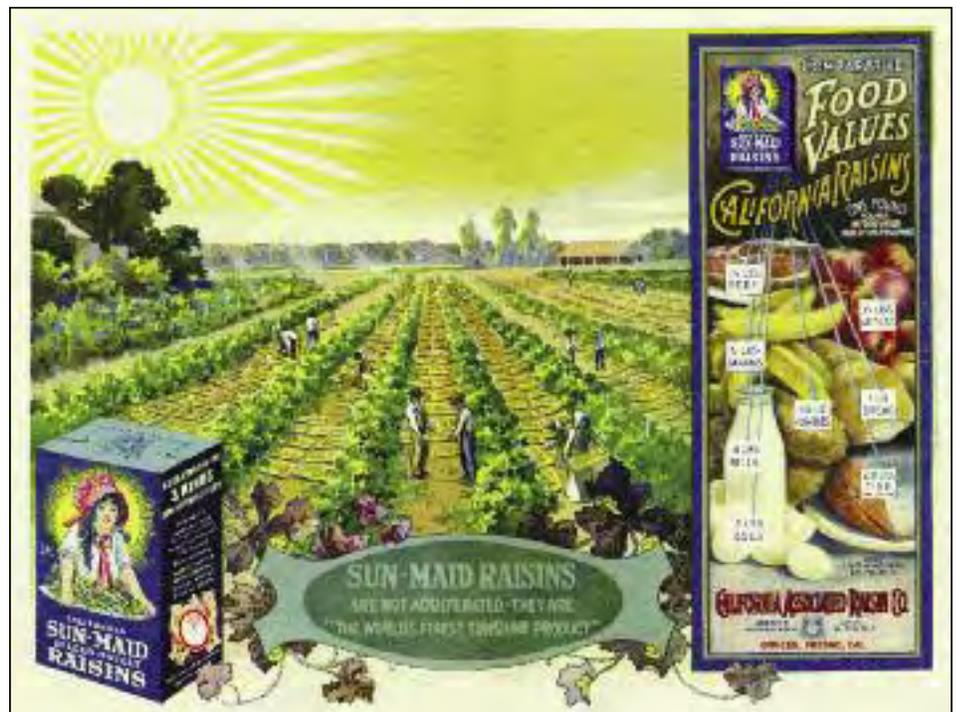
In celebration of Sun-Maid's 75th anniversary, the treasured original sunbonnet was donated to the Smithsonian Institution in Washington, D.C., on January 26, 1988, in the presence of then U.S. Secretary of Agriculture Richard Lyng.

The Sun-Maid raisin girl is a key part of an inspirational marketing story that shows how a group of growers, organized in a cooperative, can develop an industry-leading brand recognized around the globe. Few, if any, food companies have ever done a better job of brand development and marketing than this farmer-owned cooperative, located in the heart of California's Central Valley. Through television, print media, websites, social networks, promotional products and recipe books, the Sun-Maid line of products continues to reach out to consumers worldwide.

### 1915 Expo helps launch Sun-Maid

Raisins sold by the California Associated Raisin Company — as the growers' co-op was originally known — were first packaged under the Bear brand trademark, a reference to the state's Bear Flag. In 1914, E.A. Berg, advertising manager of the new co-op, coined "Sun-Maid" as the co-op's brand name. It was inspired by the natural, sun-dried raisin process, with Berg adapting the "made in the sun" slogan to the Sun-Maid brand.

In 1915, San Francisco hosted the Panama Pacific International Exposition, which celebrated the completion of the Panama Canal and



Early Sun-Maid ads, such as this, helped educate consumers about how raisins were produced and the nutritional profile of the dried fruit.

the host city's recovery efforts following the devastating earthquake and fire of 1906. The Expo would prove to be a seminal event in the history of Sun-Maid. Attractions there showcased the greatest achievements of the day in the arts, transportation — including a working model of the Panama Canal — machinery and agriculture.

Sun-Maid had its own exhibit space during the nine-month-long Expo, which helped launch the brand to worldwide recognition. Loraine Collett attended the Expo as one of a number of "Sun-Maid girls" who represented the recently formed co-op. They

handed out raisin samples while wearing white blouses with blue piping and (initially) blue sunbonnets.

The Exposition attracted visitors from around the world, many of whom were sampling raisins for the first time. Visitors could also view three dimensional scenes of raisin production in the San Joaquin Valley through a stereomotograph, a device that projected three-foot-square images.

"It was only after we returned to Fresno that Sun-Maid executive Leroy Payne saw me wearing my mother's red bonnet in my backyard that the bonnet color was changed from blue to red,"

Collett would later recall. Why the color change? “Because red reflected the color of the sun better.” Payne also asked her to model for possible use on the co-op’s new logo.

Back in San Francisco, Collett posed every morning for two weeks at the Post Street studio of artist Fanny Scafford, then would spend the rest of the day working the Expo, where the

Sun-Maid girls were by then all wearing red bonnets. The artist experimented with a variety of positions and props, finally settling on the iconic pose of Collett holding an overflowing tray of grapes with a glowing sunburst in the background.

Collett would go on to do further modeling and appeared in the 1916 Cecil B. DeMille film *Trail of the*

*Lonesome Pine*. Lorraine Collett Petersen, as she was known after marrying, later became a nurse and, until her death at the age of 90, continued to make special appearances as the original Sun-Maid girl.

### From Raisin Train to Rockwell art

The co-op’s first major advertising campaign was created in 1914 when a train loaded with 1,250 tons of raisins left Fresno for Chicago, festooned with signs reading “Raisins Grown by 6,000 California Growers.” For 2,000 miles, the Raisin Train piqued the country’s interest in both raisins and California.

Fresno held its first Raisin Day Parade on April 30, 1909. The event was a huge success, drawing 100,000 people. Visitors enjoyed contests, races, performances and the parade, which boasted float entries from community groups, businesses, townships and counties as far away as Los Angeles. The parade became an annual event.

The cooperative first hired a national sales team in 1915 to market raisins directly to grocers. This effort — in conjunction with the introduction of the new Sun-Maid brand, print advertisements and recipe booklets — significantly increased America’s raisin consumption.

Sun-Maid ads in national publications touted the sweet, simple purity of the raisin and its health benefits. Recipes for raisin bread and raisin pies promoted home baking and prompted people to ask for these products at their local bakeries, which in turn increased sales to wholesale buyers.

Sun-Maid’s advertisements have employed the talents of many skilled artists and writers over the years, but none were more notable than beloved painter of American life Norman Rockwell, the greatest commercial illustrator of his day. During the 1920s, Rockwell created a series of advertisements which illustrated Sun-Maid’s integral place in the traditional



*Clockwise from top: Great strides have been made in advancing mechanized harvesting of grapes for raisins; this Norman Rockwell painting, produced for the co-op, shows that love of raisins is inter-generational; the first major raisin advertising campaign was created when a train loaded with 1,250 tons of raisins traveled from Fresno to Chicago, festooned with signs reading “Raisins Grown by 6,000 California Growers.”*

American household. These illustrations appeared in the leading magazines of the time, including the *Saturday Evening Post*, *Good Housekeeping* and *Ladies' Home Journal*.

A celebration to mark the 100th anniversary of Rockwell's birth was held from 1994-1995 at the Norman Rockwell Museum in Stockbridge, Mass. During the celebration, two

Maid targeted this audience by promoting healthy, sweet raisins for home cooking.

### Raisins in popular culture

Sun-Maid and California raisins have been embraced in numerous ways in modern "pop culture." Sun-Maid raisins in the red and yellow boxes are seen everywhere, from children's books and

and were even featured in one of MasterCard's "Priceless" series of TV commercials, in which raisins are mentioned as one of the necessary items for building "the best snowman on the block."

Some other examples of raisins in pop culture include:

- The California Dancing Raisins were introduced in TV commercials in 1986

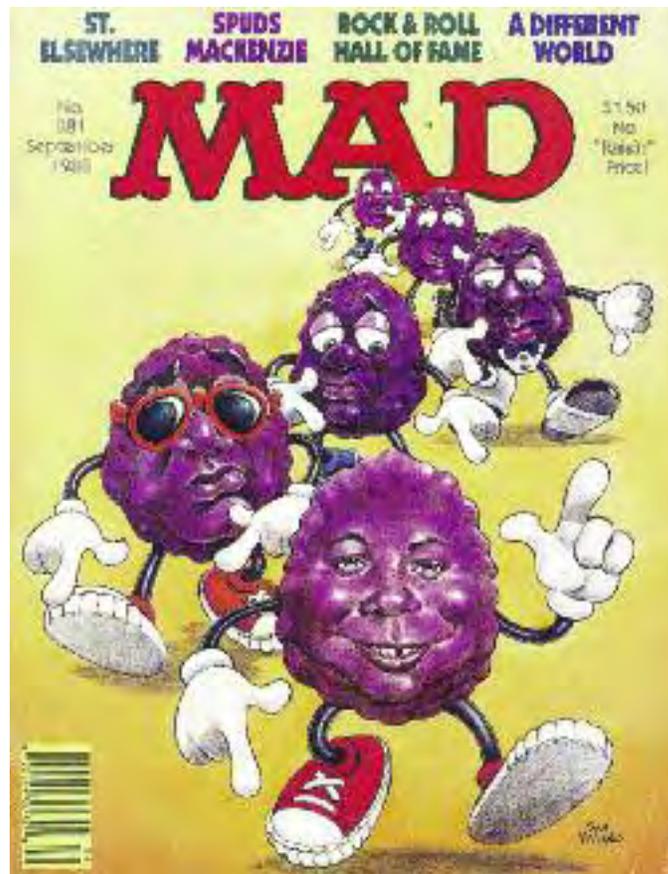
## Few food companies have done a better job of brand development and marketing than this farmer-owned co-op.

original oil paintings commissioned by Sun-Maid — titled *Market Day Special* and *Fruit of the Vine* — were loaned to the museum, where they remain today.

In a 1967 letter he sent to Sun-Maid, Rockwell explained that the elderly woman in "Fruit of the Vine," painted in 1926, was actually the mother of his first wife. Rockwell often used family members and people from his community as subjects in his work.

*The More Raisins the Better the Pudding* was painted by Rockwell in the 1920s and used in a *Saturday Evening Post* advertisement and poster that helped to promote raisin pudding in 40,000 grocery stores nationwide. The most widely circulated publication of its time, the *Saturday Evening Post* appealed to America with its high-quality art, short stories, essays, serialized novels, jokes, cartoons and poetry.

Another favorite publication used to showcase raisins was the *Ladies' Home Journal*, launched in 1883 to chronicle American life from a woman's perspective. It covered family, marriage, work, home and beauty issues. Sun-



*The California Dancing Raisins, part of an industry-wide promotional effort, became something of a pop-culture sensation, even winding up (somewhat adapted!) on the cover of Mad magazine.*

television programs to magazines and video games. They have appeared on early-morning and late-night talk shows

by the California Raisin Advisory Board. Brought to life through the art of "claymation," these talented raisins sang and danced to the hit song "I Heard It Through the Grapevine," becoming a huge media smash. Their images appeared on lunchboxes, notebooks, clothing, posters, toys and video games, earning the raisin association considerable licensing royalties. The dancing raisins even appeared on the cover of humor magazine *Mad*, one raisin bearing the face of the magazine's "mascot," Alfred E. Neuman.

- In 1987, children's TV show *Sesame Street* aired an animated segment evoking the Sun-Maid brand by featuring a woman in a red bonnet. Titled "Snacks on Parade," the cartoon

explained Sun-Maid's process of sun-drying raisins, packaging them in red and yellow boxes and sending them out for the rest of the world to enjoy.

• In the 1990s, the "Sweet by Nature" marketing campaign, featuring adorable children as raisin spokespersons, became one of the co-op's best-loved ad campaigns.

- Sun-Maid celebrated Yosemite

## Co-op crucial to industry's success



*The Sun-Maid plant in Kingsburg, Calif.*

In the early days of the raisin industry, Martin Theodore Kearney proposed pooling resources to improve raisin marketing and distribution. His ideas and leadership led to his election as president of the California Raisin Growers' Association, which was formed in 1895 and incorporated in 1899. After initial success, difficult years followed, leading to the association's demise in late 1905.

Several early attempts to organize growers failed, in part because of the rapid growth of the raisin industry. Today's Sun-Maid (initially known as the California Associated Raisin Co.) was originally formed in 1912 in an effort by growers to combat low prices and fluctuating demand. They also hoped the co-op could provide better economies of scale in processing and marketing and help create a more stable raisin market.

For raisin growers, the advantages of organizing as a cooperative included: having the co-op serve as a reliable and fair crop buyer; giving growers control of their product, from field to end user; ensuring that growers had a financial interest in keeping customers satisfied; helping to "put a face to family farming" and adding value to their product by developing a branded marketing strategy.

By 1918, the co-op's booming raisin business needed a new home, so Sun-Maid opened a state-of-the-art factory near downtown Fresno. Upon its opening, "Sun-Maid City" was dubbed the "finest factory building west of Detroit."

By the early 1920s, the California Associated Raisin Co.'s membership comprised 85 percent of the state's raisin growers. The organization changed its name to Sun-Maid Raisin Growers of California in 1922 to identify more closely with its nationally recognized brand.

The co-op's current processing plant in Kingsburg, 20 miles south of Fresno, was opened in 1964 and was recognized as one of America's top new plants by *Factory Magazine*. The 640,000-square-foot, state-of-the-art facility sits on more than 100 acres. The facility is continuously improved to meet the demand of customers around the world.

Innovations in packaging have also helped spread the popularity of raisins. The freshness of Sun-Maid raisins became the focus of new packaging in 1980 when the "carton can" was introduced. Its airtight lid keeps raisins plump and moist, and the larger opening makes it more consumer friendly. The package was an instant hit with consumers and, with some modifications, remains in use today. ■

## San Joaquin Valley: Nirvana for raisins

It would be hard for a raisin grower to find a more perfect place than California's San Joaquin Valley, home of one of the state's many unique micro-climates. The central San Joaquin Valley enjoys optimum weather patterns for grape/raisin production. Its well-drained, sandy-loam soil dries quickly, and the hot, dry Septembers allow drying grapes to transform into sweet raisins.

The mountains surrounding the Valley create a basin of fog during the winter months, allowing fruit crops to rest in dormancy and save their energy for vigorous spring growth. The summer's dry, sunny climate and fertile soil is tailor-made for dried fruit production.

The California raisin industry got started in 1873, when Francis T. Eisen planted an experimental vineyard of Muscat grapes on 25 acres along Fancher Creek, just east of Fresno. In 1877, raisins dried on the vine were shipped to San Francisco, where they were sold to "fancy grocers" and proved to be an immediate hit with shoppers. As word spread about the high-quality raisins produced around Fresno, more producers planted grapes and went into the raisin business.

Packaged raisins were shipped out of the state by 1878, and by 1890 California had produced more than 66 million pounds of dried fruits, including more than 45 million pounds of raisins. By 1903, California was producing 120 million pounds of raisins a year. The large, round berries of

the Muscat grape eventually gave way to the Thompson Seedless grape as the preferred variety for raisin producers.

In 1890, raisin grape acreage was scattered throughout California. Once Central California's great potential for producing raisins and dried fruits was realized, the area quickly transformed from scattered small farming towns into a top-producing agricultural region. Today, most raisin grapes are grown within 50 miles of Sun-Maid's Kingsburg headquarters.

As production increased, so did innovation, and growers, packers and marketers of raisins and dried fruits all helped establish their industry as a vital part of California's agriculture economy. California today dominates U.S. production, producing more than 90 percent of the nation's raisins and dried fruits.

When it's time for drying the grapes into raisins, both the sun and the heated soil work together like an oven to transform the grapes into raisins. Solar energy dries about 2.5 billion pounds of fresh grapes, which saves the equivalent of 600 trillion British thermal units (BTU) of natural gas each year. California's 548,000 miles of grape vines could circle the Earth 22 times.

At the Sun-Maid plant, water used in the raisin-cleaning process is reused to irrigate forage for cattle. Even cap-stems and stems removed during raisin processing are sold for cattle feed. Raisin packages are shipped in corrugated cartons made from trees grown in sustainable forests, marked with the Sustainable Forestry Initiative label. Recycled material is used in outer packaging, and all inks are water-based. ■



*The re-sealable raisin "carton-can" was a big packaging advance that helped consumers keep raisins fresh and moist every time they wanted to sprinkle some on cereal, salads, oatmeal, etc.*



National Park's centennial anniversary in 1990 with advertising that showcased Ansel Adams' 1960 photograph "*Moon and Half Dome*." Sun-Maid was the first food company to receive permission from the Ansel Adams Publishing Rights Trust to use an Adams' image

was moved off-center, intensifying the effect of the sunshine, with the bonnet casting a shadow across the Sun-Maid girl's face.

In 1970, brighter colors and a geometric sun modernized the logo's third update, with the brand name —

animated Sun-Maid girl helped bring raisins into the modern age, she was not designed to replace the traditional Sun-Maid logo — which has remained the same since 1970. The logo appears on packaging for Sun-Maid products while the animated Sun-Maid girl appears in

## California's 548,000 miles of grape vines could circle the Earth 22 times.

for advertising and promotion.

- In 2007, the 400th episode of *The Simpsons* animated TV show featured Marge Simpson baking her famous raisin sponge cake for the Springfield Elementary School bake sale. Finding her carton of "Sun-Made" raisins empty, Marge went to the grocery store, where she fought with Helen Lovejoy over the last box of raisins on the shelf.
- In its annual "America's Best" issue in 2007, *Reader's Digest* named the Sun-Maid raisin girl "America's Best Lasting Logo."
- Also in 2007, a children's book — *Healthy Snacks with Blue!* — featured Blue, the dog from Nickelodeon's "Blues Clues" TV show, and her friend, Joe, preparing a fruit salad with raisins to share with Blue's class as part of "Healthy Snacks Day."

### Changing with the times

In 1923, the original image of the Sun-Maid girl was modified for the first time, giving her a bigger smile, with brighter colors and a stylized sun. This more contemporary look kept her in style with the rapidly changing 1920s.

In the mid-1950s, the trademark was updated for the second time. The sun

now printed in yellow — imparting a warmer, sunnier feel. This Sun-Maid girl continued into the 21st century.

In 2006, in celebration of her 90th birthday, the Sun-Maid girl was animated for the first time. Her 21st-century image appeared in print, on television and on the company's website to launch the new slogan: "Just Grapes & Sunshine®." This was accomplished through the work of Synthespian Studios, a Massachusetts-based animation company.

Launched with a full-page ad in *USA Today* and on Sun-Maid's website, the animated Sun-Maid girl received national attention, including articles in the *New York Times*, *Chicago Tribune*, *Philadelphia Inquirer*, *San Francisco Chronicle* and *Fresno Bee*. While the

television commercials, print advertising and on the Sun-Maid website.

Will the Sun-Maid girl be further adapted in future years? Perhaps, but regardless of changes in style, she will continue to be based on the original pose of Lorraine Collett and will continue to symbolize the delicious, wholesome taste of Sun-Maid raisins. As marketing experts will admit, without a superior product to sell, even the best ad campaign will carry a product only so far. Sun-Maid's farmer-members and the warm California sun continue to take care of that part of the bargain. ■



Marge Simpson (right) is not about to let Helen Lovejoy buy the store's last box of "Sun-Made" (sic) raisins, which she needs for her raisin sponge cake.



The "sun maids" (seen here in 1921) made many appearances promoting California raisins and the co-op's popular new brand.



*One photo from Dairylea Cooperative's "A Purpose Driven Life," which won the first place photo essay award. All photos and artwork courtesy Cooperative Communicators Association and the winning co-ops.*

# A Way with Words...

*and pictures, and websites, etc.*

## CCA salutes best in co-op communications

**W**hat does the world most need to know about American agriculture? When a natural disaster devastates a local cooperative and its community, how does being part of an extended co-op system help it recover?

These were among the questions addressed in widely divergent ways by winning entries in the 2013 co-op communications contest, sponsored by the Cooperative Communicators Association (CCA), a professional organization of about 300 co-op communicators dedicated to helping their co-ops through improved communications. The dramatically different ways in which these topics were addressed underscore the range of communications strategies and technologies being effectively employed by cooperatives today to keep members, employees, customers and the general public informed about their activities.

### **Tornado coverage shows excellence in traditional media**

To examine the recovery process following a natural disaster, Karen Jones of GROW MARK used a communications method that would have been familiar to any member of CCA when it was organized 60 years ago. She wrote about the impact of a tornado and the recovery effort in a feature article for "Spirit" magazine, GROW MARK's member publication.

The early-morning tornado hit Harrisburg, Ill., last February, destroying a Southern FS facility and causing extensive damage to the community.

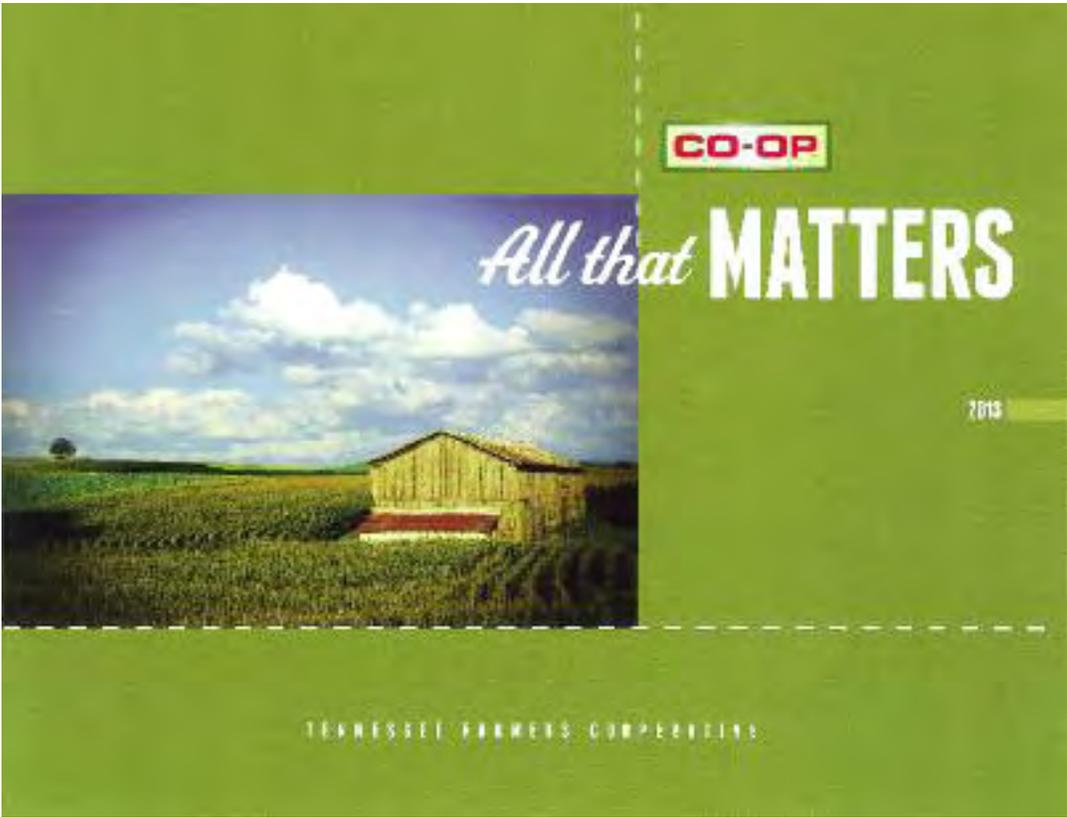
"The story was written to inform our readership about the damage and offer a way that they could help, but also to show the value of being part of a cooperative system," Jones says of the article. "Business was able to continue immediately after the storm and during the year-long clean-up and rebuilding process because customers were able to draw product and services from other Southern FS locations."

Without the support of those cooperatives in the Southern FS system, a stand-alone business would quite likely have had to shut down following a disaster of such magnitude, Jones noted. In awarding her account a first place trophy for feature articles, the judges said: "What a powerful story. Excellent quotes and details about what people were doing or seeing make an impact on the reader. Well done!"

### **Social media also in spotlight**

While publications for members and employees — most of which are still produced in hard copy, as well as posted online — are still at the heart of most co-op communications efforts, websites and social media are also playing an increasingly important role for co-ops today.

Margaret Fogarty and Farm Credit brought home a



**Publication of the Year**  
*Publication of the Year went to Tennessee Farmers Cooperative for "All that Matters."*



**First Place Social Media**  
*The first place social media trophy was claimed by Farm Credit National Communications. Colorado Ag Commissioner John Salazar even pitched in with this Facebook posting as part of the campaign.*

**Best of Show/Photography**  
*Accelerated Genetics won the first place cover and Best of Show awards in the photography contest for its Beef Sire Directory.*



first place award in the social media category for the co-op's "Farm Credit Goes Social" communications campaign. The effort included a Facebook page on which short messages were posted addressing the theme: "What does the world need to know about agriculture?"

Helping attract attention to the messages was the unusual way they were displayed.



### Photographer of the Year

*This was one of a portfolio of photos that earned the Photographer of the Year award for Kyle Spradley of the Association of Missouri Electric Cooperatives.*

Message posters, ranging from Colorado Agriculture Commissioner John Salazar to an expectant mother, all used a marking pen to write a short phrase about farming on some portion of their body, mostly arms, hands, feet and shoulders.

The tech-savvy judges were duly impressed: "Great work! I appreciate the April 3 Facebook post. It shows you're keeping current on pop culture and that there's an appreciation for fun and business at Farm Credit." The judges continued: "On Twitter, the March 22 tweet is an example of the same thing. Your YouTube channel (the bit on consumers) shows you're aware of the challenges facing your customers. The blog shows nice coordination and execution among all the social media outlets. Great use of images of people, awareness of the season and what's appropriate given the time of the year. Good integration of other sites/users information.

"It's difficult to get to your target audience (the

agricultural community), so continue to find ways to make your social media work relevant and accessible to them. This isn't an easy task, [considering that] the average farmer is over 58 years old!"

### Four competitions in one

The CCA communications contest is comprised of four competition areas — writing, photography, publications and programs/projects — each of which includes about a dozen sub-categories. This year, the overall contest attracted 695 entries, an increase of 138 over the previous year. Awards were presented during a banquet at CCA's annual meeting, held in Nashville in June.

For example, in the publications area, there are separate categories for member and employee publications, annual reports, brochures, etc. In addition to social media, the programs/projects competition includes categories such as print and broadcast advertising, co-op education efforts and trade show exhibits,

among others. The writing contest attracts entries not only in news and feature categories, but also in editorials, press releases, blogs, speeches, etc. Photography presents awards for best portraits, scenic photos, photo essays and best overall use of photography in a publication, among many other categories.

A complete list of the winners is posted on the CCA website: [www.communicators.coop/2013Contest.htm](http://www.communicators.coop/2013Contest.htm). CCA members can also see the actual winning entries and judge's comments in a "members only" portion of the website.

Following are just a few examples of some of the other winning entries:

- **Best of Show/Photography** — Accelerated Genetics won Best Cover and Best of Show in the photography contest for its Beef Sire Directory. This annual directory is produced by the Wisconsin-based breeding co-op for cattle producers worldwide. "It made the most of the

## AMPI wins top "career" awards

**C**A's top award for a career devoted to cooperative communications is the H.E. Klienfelter Award. It also honors up-and-coming talent by presenting the Michael Graznak Award to one of the nation's best young (35 or under) co-op communicators. Both awards this year went to Associated Milk Producers Inc. (AMPI), New Ulm, Minn.

Winning the Klinefleter award was Sheryl Doering Meshke, an executive senior vice president at AMPI who "exemplifies all the best qualities for which this organization stands and for whom the award was created to honor," said nominator Mark Bagby, communications director at Calcot LTD. His endorsement was echoed by many of Meshke's peers who called her "a professional colleague, a mentor and an individual who has done it all in CCA."

Meshke grew up on a farm in Minnesota and graduated with a bachelor's degree in agricultural journalism, with a minor in animal science, from South Dakota State University. She edited weekly newspapers and created a monthly agricultural newspaper before going to work for AMPI, where for 20 years she served as communications director. She completed a master's degree in business communication from the University of St. Thomas while working full time at the cooperative.

"Sheryl is the best communicator I have ever met," wrote Ed Welch, president and CEO of AMPI. "She can take the most difficult situation and break it down into terms and objectives that the entire management team can understand and support with one voice." Adds former AMPI President and CEO Mark Furth: "Sheryl's unique

combination of natural ability and tireless effort has made her a major contributor to the success of AMPI."

A past winner of the Graznak Award, Meshke has held numerous leadership positions with CCA, including president.

### Graznak goes to Nickie Sabo

As a communications assistant for AMPI, Sabo brings the visual aspects of a story to life through creative layouts in the milk marketing co-op's *Dairymen's Digest* and *Moosletter* publications. She directed photography and graphic design for CCA's 2012 Publication of the Year, the co-op's annual report, entitled "You."

"Every page of Nickie's portfolio was very creative, eye-catching and attention getting," said Graznak selection committee member Teri Ditsch. "Her work flows nicely and makes you want to dig in and read."

"Sabo trims, defines and draws the eye effectively across her co-op's communication vehicles," added Megan

McKoy-Noe, associate editor with the National Rural Electric Cooperative Association and the 2012 winner of the award. "She designs cooperative success."

One of Sabo's largest projects has been AMPI's rebranding effort. A cooperative-wide team recently updated the co-op's

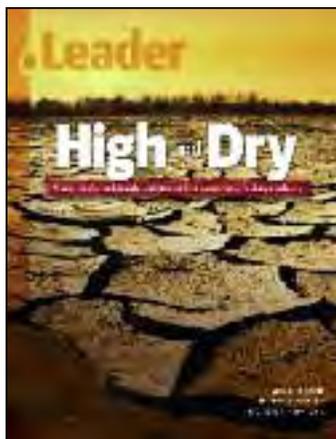
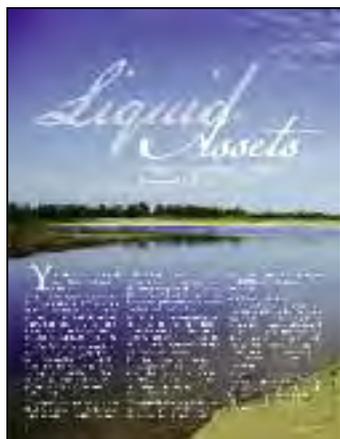
logo for the first time since 1969. Over a two-year period, Sabo helped redesign 146 dairy product labels and established graphic standards to protect the renovated brand.

"She was tireless in pursuit of an effective rebranding effort and serves as the 'logo cop' in our company," adds CEO Welch. Sabo was called "the critical link between the agency that developed the new brand graphics and messages and the employees and members who implemented them. She fostered cooperation among individuals, departments, vendors and customers." ■



AMPI's Sheryl Meshke (above) receives the Klinefelter Award from Jim Rodenburg, the 2012 winner. Nickie Sabo (far right), also of AMPI, receives the Graznak Award from Megan McKoy-Noe, the 2012 winner.





**First Place  
Feature/Investigative**

Christine Forrest of Farm Credit Bank of Texas won a first place feature article award for “Liquid Assets.”

**First Place Member Magazine**

The top award for member magazines went to “DFA Leader.”

**First Place Feature**

“FS Is Still There,” about the aftermath of a tornado in Illinois, earned a first place writing award for Karen Jones of GROWMARK.

medium that was used, appealed to multiple senses and exceeded the objectives, [using] a small budget,” one judge wrote. “The use of a simple photo made a dramatic impression for a cover,” said another.

- **First place member magazine** — Dairy Farmers of America (DFA) won for its quarterly magazine: “The Leader,” which reaches more than 20,000 dairy producers, industry professionals and legislators. Each issue delivers critically important cooperative and industry news and showcases member-owners through feature stories about their farms and interests. The cover story of the fall 2012 issue addressed one of the most critical issues facing DFA producers at the time: widespread drought. It also showcased DFA members’ use of innovative technology, such as anaerobic digestion and intensive grazing practices, as well as the commitment to food safety at DFA plants.
- **Publication of the Year** — Tennessee Farmers Cooperative (TFC) won this grand award for its “All That Matters” booklet, which also won first place for “brochures, pamphlets and one-time publications” (with a budget of more than \$5,000).” TFC creates a new “corporate identification” publication each year that doubles as its annual report. It is first distributed during the cooperative’s annual meeting and includes removable financial report inserts.

“All That Matters” was praised by the judges it for its “awesome modern design. The tall, thin panels of pictures are great, the colors are spectacular and the cover is eye-catching,” they said. “The fold-out page is also great.

Fabulous work. Your designer and printer are to be commended! It was done economically, too.”

- **First place brochure** (under \$5,000 budget) — Sarah Schmidt and AMPI won this award for a publication titled “Owner’s Manual,” an “extremely effective telling of the AMPI story from the perspective of a farmer/owner,” the judges wrote. “The way the narrative is woven to include additional family members is very clever. Use of large, professional photos is eye-catching, as are the highlighted statistics throughout. Well conceived, well written and well designed. This piece is a success!”
- **First Place Feature** (serious/investigative) — This award went to the Farm Credit Bank of Texas and Christine Forrest for an article titled: “Liquid Assets,” which appeared in the Summer 2012 issue of the co-op’s “Landscapes” magazine. In researching the article, Forrest said she learned that a western Alabama farming operation had been recognized for many conservation practices that improve soil and water quality. “I also discovered that the Dee family had relocated to this rainfall-rich area because of water issues at their previous location. Water turned out to be one of the main characters in this family story, and a six-year dry spell that prompted the Dees to irrigate was just the latest chapter.”

The judges said: “Love your headline, and the lead ties in nicely. This is an excellent story that flows together very well and gives the reader all the information needed on this topic. This is one of the best examples I’ve read in

terms of putting together the whole package. I loved the historical perspective that led up to their decision to irrigate.”

• **Writer of the Year** — Chris Villines of Tennessee Farmers Cooperative won this award for a portfolio of his articles. “Everything about this writer’s entries are superb!” said the judge. “The leads are compelling and dressed up with conflict. He manages to make mundane topics (such as cast iron pots) interesting by being engaged in the story — no doubt the result of quality interviewing. The continuity in his stories is superb and

leaves you with a satisfied feeling that always accompanies good writing.”

- **First place News Writing** — Margaret Fogarty and Farm Credit also took home this award for an article titled: “Keeping Farm in Family Requires Strategy.” The judges said: “Great lead, and a great team effort. This piece is well organized and includes wonderful information. The headline could be stronger, but the writing is excellent and the headline does clearly state the content of the article. Nicely done!”
- *Rural Cooperatives* magazine won two

awards in the contest. Assistant Editor Stephen Thompson was runner-up in the news writing contest for “New Life for a Lifeline,” about a successful effort to save a shortline railroad that was in danger of being abandoned. Editor Dan Campbell placed second in editorial writing for “How Can a Bunch of Farmers Do It?” which commented on an effort by Virginia poultry growers to form a co-op to save their processing plant from closing. ■

## Jakins picked as top co-op CEO communicator

In the 11 years that he has served as president and CEO of his co-op, Ernest “Chip” Jakins III has not only been a champion of communications at Carroll Electric Membership Cooperative in Carrollton, Ga., but also of the cooperative way of doing business.

“Some people are planners, some are doers; Jakins is both. He puts a high value on an organized communications effort, both internally at the co-op and in the broader community. He also follows through personally with a visible presence and community leadership that delivers a positive co-op message,” the award committee said.

Jakins and the co-op’s board created a separate communications department in 2010, which included adding two additional staff members (a communications manager and a communications specialist). This meant funding a new budget for the communications department, which was created to ensure that all corporate communications streams from a centralized location. This helps ensure a more unified message from the cooperative.

In 2011 and 2012, the new communications department began a rebranding effort and a website redesign that represented a large financial commitment. Jakins demonstrates his dedication to advancing his award-winning communications department by investing in his employees. He was praised for integrating communication into nearly every aspect of Carroll EMC’s planning and



Ernest “Chip” Jakins III

management processes during his time as president and CEO of the cooperative.

“He understands the integral role communication plays in every department and also in helping departments to effectively work together,” said one nominator.

Jakins is a dynamic speaker who communicates a positive co-op message. His

speeches discuss how cooperatives were started and “the cooperative difference,” as well as Carroll EMC’s role in the communities it serves and the status of the current and future power supply.

He is a four-time group leader at the National Rural Electric Cooperative Association’s Washington Legislative Conference, which involves meeting with members of Congress to discuss issues of importance to cooperatives. Carroll EMC was chosen as one of the Best Places to Work in Georgia by “Georgia Trend” magazine. His father, E.A. “Bucky” Jakins Jr., is also a co-op CEO, at Baldwin EMC in south Alabama. ■

# Battlefield Lessons



*Gettysburg Leadership Experience demonstrates that lessons from 150 years ago are still relevant for co-op leaders*



The Battle of Gettysburg remains one of the most significant events in American history and was the turning point of the Civil War.

Some would say that this fierce, three-day battle was won by the Army of the Potomac primarily because of effective leadership — including the “anticipatory leadership” of cavalry officer John Buford, combined with his willingness to do things differently.

Buford positioned the Army of the Potomac to fall back, ridge by ridge, then through the town of Gettysburg and on to Cemetery Hill as Union reinforcements arrived. Thus, the Union had the strategic advantage of holding the



*The stone figure of a Union infantryman keeps vigilant watch near the Rose Farm portion of the battlefield. Photo by Bill Dowling, courtesy Gettysburg National Park.*

higher ground at twilight on July 1, 1863, from which it would successfully repel the Confederate attacks.

*Editor’s note: this article is provided courtesy of FCC Services.*

Cheers rang out among the soldiers of the Army of Northern Virginia as they hoisted the Confederate flag in the town square of the little borough of Gettysburg. No one would fault them the celebration, as they had been tremendously successful to date, winning eight of nine battles against the Army of the Potomac during the previous two years.

But the celebration proved to be premature, as the Union army under Major General George Meade defeated the Confederate army under its brilliant general, Robert E. Lee. The victory halted Lee's invasion of the North, by which the South had hoped it would break the will of the North to carry on with the war.

### **Coping with problems**

The officers on both sides at Gettysburg faced problems similar to those experienced by today's executives: incomplete information, shortage of manpower and resources, communication conflicts and the urgency to move ahead in

the face of unforeseen risks. In the face of adversity, how was the Union able to obtain victory?

General Meade deployed his forces effectively, relied on strong subordinates to make decisions where and when needed, and stood firm while nimbly shifting resources. Historians have said of Meade's army that the men knew what they could do under an extremely competent general; one of lesser ability and courage could well have lost the battle, and the war.

Would your co-op's senior leaders know how to lead their "army" to victory? What is said about their style, courage and abilities?

### **Leadership development and governance**

Hundreds of studies have been conducted with the same conclusion: Organizations that invest in leadership development perform better than those that do not make the



*Facing page: Historical re-enactors stage the battle of Gettysburg, the turning point in the Civil War. Photo by Paul Witt, courtesy Gettysburg Convention and Visitors Bureau. Above: Participants in FCC Services' Gettysburg Leadership Experience learn valuable lessons about leadership while touring the battlefield.*

*Photo courtesy FCC Services*

investment. This is not only true of executive leadership, but also of director leadership.

Governance is a fundamental part of leadership. Ineffective governance compromises the ability of management to succeed. In contrast, effective governance greatly assists the organization in its success.

Directors face a unique set of challenges and opportunities on behalf of the organizations they govern — from industry consolidation and sector growth to economic, commodity, political and global volatility. To assist in meeting those challenges, FCC Services offers a governance series designed to raise the level of board performance and enable individual directors to fulfill their roles with substance and significance.

FCC Services was formed by the Farm Credit System 35 years ago to provide certain support resources, including leadership development, to all of the System's entities. In 2007, it expanded its services to the entire agricultural cooperative marketplace.

### **Gettysburg as a classroom**

The Gettysburg battlefield is often referred to as “the finest classroom in America.” Using history as a backdrop, FCC Services' Gettysburg Leadership Experience is a unique experiential leadership program that is especially crafted for master practitioners and professionals, senior executives and boards of directors.

This distinguished program examines the leadership styles, decisions and principles displayed by military leaders before, during and after the battle. It applies timeless leadership lessons to current organizational situations and challenges.

“There are very few educational offerings for master-level professionals, senior executives and boards that are as powerful, yet as affordable and time-conscious, as The Gettysburg Leadership Experience,” says Cindy Knutson, vice president, board development with FCC Services. “It is one of those rare experiences that stays with you for the rest of your life and influences your personal and professional success.”

The actual battlefield becomes a classroom, and case studies that incorporate history as a metaphor for modern-day leadership issues are used to create a unique approach to learning.

The program was launched 12 years ago. One of the founders was an Air Force colonel and college professor. The other founder served as an ambassador and director of the Foreign Service Institute. Because of the founders' experiences, the primary participants and beneficiaries of the program were from the military and government agencies.

A few years ago, FCC Services sought to add an experiential leadership module to the governance series of classes it offered to agricultural cooperatives. The founders of The Gettysburg Leadership Experience were near retirement

and wanted an experienced and reputable firm in the field of executive and director leadership development to carry on the legacy of the program. FCC Services purchased The Gettysburg Leadership Experience and expanded the reach of the program and its governance series of classes to cooperatives and others.

### **Timeless leadership lessons**

Various case studies have been created based on the character, behaviors and attitudes of selected generals and officers on both sides of the famous battle. The decisions, communications, actions and outcomes of these leaders have been designed as lessons that are as relevant today as they were 15 decades ago.

The learning format is not training; rather, it is an experiential program that incorporates classroom lessons, the experience and knowledge of participants and interactive discussion. It also incorporates video clips from the movie “Gettysburg,” which was based on the Pulitzer Prize-winning historical novel “Killer Angels” by Michael Shaara.

Each case study visits the site on the battlefield where the leadership lesson took place. A licensed battlefield guide leads the discussion and ties lessons discussed in the classroom to the onsite activity. Once the battlefield visit is complete, the group returns to the classroom for “reflective discussion” and application of the experience to today's leadership situations.

### **Goals can be customized**

The Gettysburg Leadership Experience can be customized to match the goals, issues and situations of a cooperative, using additional case studies, activities and the vast connections to outstanding speakers that FCC Services enjoys through its governance series and leadership development programs.

Comments made by co-op leaders who have taken the course include:

- *“The format of the meeting was excellent. Identifying leadership qualities, defining historical characters (generals)...and visualizing leadership [were made relevant] to your individual perspective.”*
- *“I truly appreciate that our learning goals were identified before the instruction began. [The concept was] that we were not looking for a transfer of historical information, but rather for a new way to think through issues.”*
- *“The ability to take the story of the Battle of Gettysburg and discuss how those decisions were made, and how they relate to decisions and leadership applications in our own business environments, was done very well.”*

Just as the battle of Gettysburg was a “turning point” in the Civil War, so the application of what is studied in The Gettysburg Leadership Experience can provide “turning points” for an organization. ■

# Director Diligence

*Co-ops should assess director skills and ability to fulfill duties*

**By James Wadsworth, Ag Economist**  
Cooperative Programs  
USDA Rural Development  
james.wadsworth@wdc.usda.gov

**A**n effective board of directors is a key ingredient in a healthy and successful cooperative. Well-run, efficient meetings and sound board-nominating and election procedures are necessary for all successful co-ops. But most important of all is that a co-op be governed by qualified, experienced directors with the skills needed to carry out their responsibilities to the co-op.

James Baarda in *The Circle of Responsibilities of Co-op Boards* (CIR 61, published by USDA Cooperative Programs), describes seven major responsibilities for directors:

1. Represent members;
2. Establish cooperative policies;
3. Hire and supervise management;
4. Oversee acquisition and preservation of cooperative assets;
5. Preserve the cooperative character of the organization;
6. Assess the cooperative's performance;
7. Inform members.

Director responsibilities may be further broken down as follows:

- Hire a competent manager/CEO, determine the salary, outline the duties and authority of the position and formally review his/her performance at least annually.
- Adopt broad, general policies to guide the manager and cooperative.
- Develop and adopt long-range business strategies.
- Require written monthly financial

reports and operating statements for board meetings to keep directors informed of both adverse and favorable operations.

- Direct the manager to prepare, before the end of each year, an operating

budget for the next fiscal year for board approval.

- Employ a qualified auditor to make an independent audit at least once each year.
- With the aid of the manager, plan and conduct the annual meeting to keep members informed about the status of their business, including operations, finances and policies.
- Determine the patronage refund allocation and per-unit retain level.
- Ensure competent legal counsel is available.
- Keep a complete record (e.g., minutes) of the board's actions.
- Communicate with members as necessary.
- Work to promote the cooperative.

## More specific duties

There are also many more specific duties directors should fulfill. These duties include, but are not limited to, the following:

- Determine the boundaries of districts/divisions and locations of operations offices/facilities.
- Approve or disapprove of major capital expenditures.
- Establish the co-op's financial structure and authorize changes to it.
- Establish appropriate election and voting procedures to maintain accurate representation of members. This includes timely filling of vacancies on the board, committees or any other organizational body that results from a resignation, death, disqualification or similar occurrence.
- Decide what the appropriate relationship should be with other

*continued on page 45*

## USDA's director assessment tool online

The USDA report, *Assessing the Performance and Needs of Cooperative Boards of Directors* (CIR 58), contains information and exercises for assessing a board of directors in three ways:

- (1) Director's self-assessment (assesses areas related to a director's responsibilities and duties);
- (2) Assessing the board as a single entity (assesses how well directors work together); and
- (3) Assessing board meetings (measures the productivity and effectiveness of board meetings).

Cooperative boards use assessments to identify problem areas and weaknesses and subsequently devise programs, plans and training methods to remedy them. To read the report online, visit the co-op publications library at: [www.rurdev.usda.gov/BCP\\_Coop\\_LibraryOfPubs.htm](http://www.rurdev.usda.gov/BCP_Coop_LibraryOfPubs.htm). To request a hard copy, send an e-mail to: [coopinfo@wdc.usda.gov](mailto:coopinfo@wdc.usda.gov). ■

# Co-ops & Community

## Electric co-op assists in rebuilding after tornado

*This article is provided courtesy Hoosier Energy Rural Electric Cooperative. The Co-ops & Community page spotlights co-op efforts that fulfill the mission of “commitment to community.” If you know of a co-op, a co-op member or co-op employee whose efforts deserve to be recognized on this page, please contact: dan.campbell@wdc.usda.gov.*



**T**en families in Henryville, Ind., who lost their homes in a devastating tornado in March 2012, are

enjoying the benefits of energy-efficient Touchstone Energy Homes, thanks to the combined efforts of Clark County REMC and a local chapter of Habitat for Humanity.

Days after tornados devastated the southern Indiana town on March 2, 2012, Hoosier Energy’s Holly Yensel, a residential energy consultant, attended a luncheon to find a way that Clark County REMC and its power supplier could help with recovery efforts. Together with Houser Canter, director of the Floyd County Habitat for Humanity, a plan was formed to take advantage of the electric cooperatives’ experience with energy-efficiency buildings.

The resulting 10 homes were completed for occupancy in time for Christmas, a lasting testament to a powerful partnership with a commitment to community service. All the homes are served by Clark County REMC. The Sellersburg-based cooperative provided heat-pump water heaters, compact fluorescent lights and \$300 bill credits for each home, in



*Ten Habitat for Humanity homes built to Touchstone Energy Home standards were part of the tornado recovery in Henryville, Ind. From left are: Hoosier Energy’s Holly Yensel, Clark County REMC CEO David Vince and Floyd County Habitat for Humanity Director Houser Canter. Photos courtesy Hoosier Energy*

addition to Touchstone Energy Home certification.

Clark County REMC Chief Executive Officer David Vince said the cooperative has been pleased to demonstrate its community commitment through several efforts to assist the community as it recovered from the disaster.

“The Touchstone Energy Home project further demonstrates that Clark County REMC is committed to the communities we serve. These families will enjoy the comfort and energy savings of their new homes for many years,” says Vince.

### **Strict building specifications**

Touchstone Energy Homes focus on strict building specifications for energy

efficiency, including the types of insulation, windows, doors, air sealing, and heating and cooling systems required. The goal is to lower operating costs while increasing performance and comfort. The Henryville homes surpass the 2009 International Energy Conservation code.

“Henryville is a tight-knit community that we have been proud to work with throughout the restoration efforts. We are pleased that Clark County REMC has been able to provide assistance,” says Julie Hinton, the co-op’s marketing coordinator.

The cooperative continues to stay in touch with the Habitat for Humanity homes by monitoring efficiency.

“This is a tremendous project that personifies how electric cooperatives are

part of their communities and committed to their members. These homes not only help families with an immediate need, they will also be energy-efficient, comfortable homes they can afford to live in for the foreseeable future,” Yensel says.

The families purchased the homes interest-free from Habitat for Humanity and also put in 200 “sweat equity” hours to help build their homes.

About 250 volunteers framed the 10 houses in Henryville’s Twin Oaks subdivision. “We have 10 amazing families with stories of their survival through that storm. They are now rebuilding their lives through building their own house,” says Gina Leckrom, state director of Habitat for Humanity.

Hoosier Energy is a generation and transmission cooperative (G&T) with

headquarters in Bloomington, Ind. It provides electric power and other services to 18 electric distribution cooperatives, including Clark County REMC, which collectively meet the electricity needs of more than 750,000 residents, businesses, industries and

farms. Hoosier Energy operates five power plants, two renewable energy plants and a transmission network that includes 1,700 miles of high-voltage lines. For more information, visit [www.hepn.com](http://www.hepn.com). ■

### Clark County REMC tornado recovery efforts include:

- A solar hot water installation and high-efficiency heat pumps were installed at Henryville High School;
- Reconnecting fees were waived for all affected members;
- Lines were reconnected within two days to the Henryville substation and within seven days in the town of Henryville;
- About 40-50 employees worked in recovery efforts;
- The Clark County emergency management command center was based at the co-op’s Sellersburg headquarters. ■

*Hoosier Energy’s Holly Yensel, left, and Harrison REMC’s Bob Geswein inspect a Touchstone Energy Home, built to meet exacting energy efficiency standards.*



## Premier Co-op adapts equity policy to reflect changing membership



Premier Cooperative's main complex in Mt. Horeb, Wis. Co-op Manager Andy Fiene led an effort that overhauled the co-op's member equity redemption program. Photos courtesy Premier Cooperative

By Margaret Lund

e-mail: lundsteller@iphouse.com

**Editor's note:** Lund spent 15 years as the executive director of the Northcountry Cooperative Development Fund (NCDF) and is currently a business consultant who specializes in working with cooperatives and other small businesses. This article is excerpted from a new University of Wisconsin Center for Cooperatives (UWCC) publication: "Cooperative Equity and Ownership: An Introduction." It is available on the UWCC website at: [www.uwcc.wisc.edu/](http://www.uwcc.wisc.edu/).



**A** lot has changed in Mt. Horeb, Wis., since 1893 when Premier Cooperative was started. In those days, Grover Cleveland was the U.S. president and Premier was known by its former name, Patrons' Mercantile Cooperative.

Patrons' was started in the neighboring town of Black Earth to provide local farmers with an affordable source for a variety of supplies, while receiving a fair price for the goods they

produced. Today, Premier has facilities in 15 communities and operates a diverse array of agronomy services, produces conventional and organic feeds and operates farm supply and grain marketing divisions. It also operates: four convenience stores, propane and bulk petroleum supply operations, two hardware stores, a heating and air conditioning service, a lumber yard and three auto/truck and tire repair centers.

Yet even as the world has changed, some things seem never to. Many would say that one of those "unchanging things" is cooperative equity management. That was certainly true of Premier's equity plan at one time.

When Andy Fiene, Premier's CEO, first arrived at the co-op 26 years ago, the member equity redemption policy was much like those of any of its neighboring farmer cooperatives. That is, members shared in the profits of the co-op each year through their patronage dividends. Yet most of the funds (a maximum of 80 percent per year) were paid to members in the form of stock, rather than cash. The stock would then be retained by the co-op for

an indefinite period.

Since the whole patronage allocation — whether in stock or in cash — was taxable to the farmer-members in the year it was declared, in many cases members ended up paying more in taxes every year than they received in cash from their patronage allocation. Further, the co-op held on to the stock portion of patronage for decades.

### System was slowing down

When Fiene started as general manager in 1992, the average age at which members of Premier might expect to get even a portion of their retained stock redeemed in cash was 78. This might occur 40 years or more after the earliest of this equity was "earned" by the member.

In many cases, the funds had to be paid to an estate because the member had died while still waiting for his or her share of co-op profits to be returned in cash. Due to four straight years of losses prior to Fiene starting as general manager, the cooperative had ceased making equity retirements based on age and had fallen behind on estate redemptions.

Understandably, members did not like this system, although it was very common among farmer co-ops at the time and still is today.

Fiene didn't like the equity system either, but for additional reasons. When he started projecting what would need to happen to enable the co-op to redeem member stock on a shorter, more meaningful timeline, he and the board members were surprised at what they discovered. Given reasonable financial assumptions for the business and its growth, not only would Premier be unable to shorten the payment period for members, the timeline was likely to just continue to get longer.

There was no way that Premier could "grow its way" out of the situation without sacrificing future investment in vital business functions. On paper, the system was simply not sustainable.

### **New system reflects changes in business**

After taking a good look at its evolving business interests and changing membership, the co-op instead crafted a new member equity system that works better for all parties. This system retired the member equity that the co-op was already obligated to pay while limiting future liability.

First, recognizing that many of the purchases at the co-op's retail convenience stores, hardware stores and lumber yard were quite small, the co-op limited patronage payments to members making a minimum of \$1,500 per year in purchases. This cut down on paperwork and recordkeeping while ensuring that patronage payments were only going to those members who did a substantial amount of business with the co-op.

Second, instead of declaring the majority of member patronage payments to be "qualified" allocations, and therefore the tax responsibility of the individual members, the co-op still kept track of individual members' portions but declared the allocations "nonqualified," meaning the

cooperative pays the tax on the equity portion allocated. By removing the tax burden from the members, the cooperative feels less obligated to retire the "nonqualified" equity than it does the "qualified" equity its members previously were issued and paid taxes on. If the cooperative does decide to retire any amount of the "nonqualified" equity in the future, the farmer members will only have to pay tax (and the co-op will get a refund of the tax previously paid) at the time the member actually receives the cash.

Third, the co-op studiously tracked down which member transactions were attributable to consumer members (and therefore not taxable as patronage, because consumer members do not report their purchases as business expense deductions on their taxes). It then allocated those members'



*Sam Baker demonstrates how to make picture frames for Father's Day presents, part of "June is Dairy Month" events at Premier Co-op.*

"qualified" equity, rather than "nonqualified" equity. This saved the co-op money but did not pass a commensurate burden on to the member.

The net result is that the cash portion of the annual patronage allocation has increased from 20 percent in the past to a range of from 30 to 57 percent since inception of the new system. Personal tax liability of co-op members has also decreased appreciably, making the cash portion of

their annual payment more meaningful.

### **Redemption timeline shortened**

The timeline for redeeming stock allocated to members under the old plan has also decreased appreciably. In 2013, Premier members age 65 and older received their eligible retirement equity, instead of at age 78 (the average age when the new program started). The expectation is that the age will continue to decrease until all of the old qualified patronage has been returned to members. At that time, the co-op will evaluate annually how to treat the "new" equity.

The new system "requires a lot of hard work" in the form of recordkeeping "if you want to do it the right way," says Fiene, but it also has pushed the co-op to operate in a much more business-like manner in terms of its cash planning. The co-op retains a great deal of flexibility in whether or not to revolve the non-qualified equity down the line. Further, because members have not been required to pay tax on it, they are more willing to accept their allocated equity as an investment in the future services of their cooperative.

While some cooperatives might take the easier route and just seek to delay any redemption to members indefinitely, Premier's board and management understand that the value of the co-op was built upon business with members and the balance that must be struck between the interests of the co-op and its members.

"While this type of program may not fit other cooperatives, for our cooperative it was an important change that has helped us grow our value to our members," Fiene says. "Most [co-ops] are afraid to rock the boat and talk to their members about the problems the old system creates. People inherently fear change." But as he has shown, a willingness to confront such a problem with creativity and insight could mean a better solution for both the co-op and its members. ■

# Co-ops urged to plan now for Co-op Month activities



October is Cooperative Month, and cooperatives of all types are urged to plan educational events to celebrate the many products and services that co-ops provide to their member-owners while also helping to strengthen their communities.

“There are more than 29,000 cooperatives in the United States, and they not only help to improve life for their members, but also have a profoundly positive impact on the overall economy,” says Doug O’Brien, acting under secretary for USDA Rural Development. “That’s why it’s important to tell your cooperative’s story. October is a perfect time to join with thousands of other cooperatives across the nation in doing so.”

Traditional media — including press releases; public service announcements; advertisements in newspapers, magazines and radio; billboards and posters — can be effective for letting people know about cooperatives. Social media also provides abundant opportunities to help spread the word about cooperatives.

A co-op display or exhibit set up in a shopping mall or outside a large retail complex can reach thousands of people in a single day. Many co-ops schedule classroom visits and make presentations before community civic organizations during October. In-store demonstrations are another effective way to spread the word about co-op products.

“Surveys show that most people — once informed about what cooperatives are and how they work — are

supportive of the cooperative, member-owned approach to business,” says Chad Parker, deputy administrator for USDA’s Cooperative Programs. “By sponsoring co-op educational activities, co-ops can play a big role in helping

more people understand what co-ops are all about.”

## Open houses, field days, tours

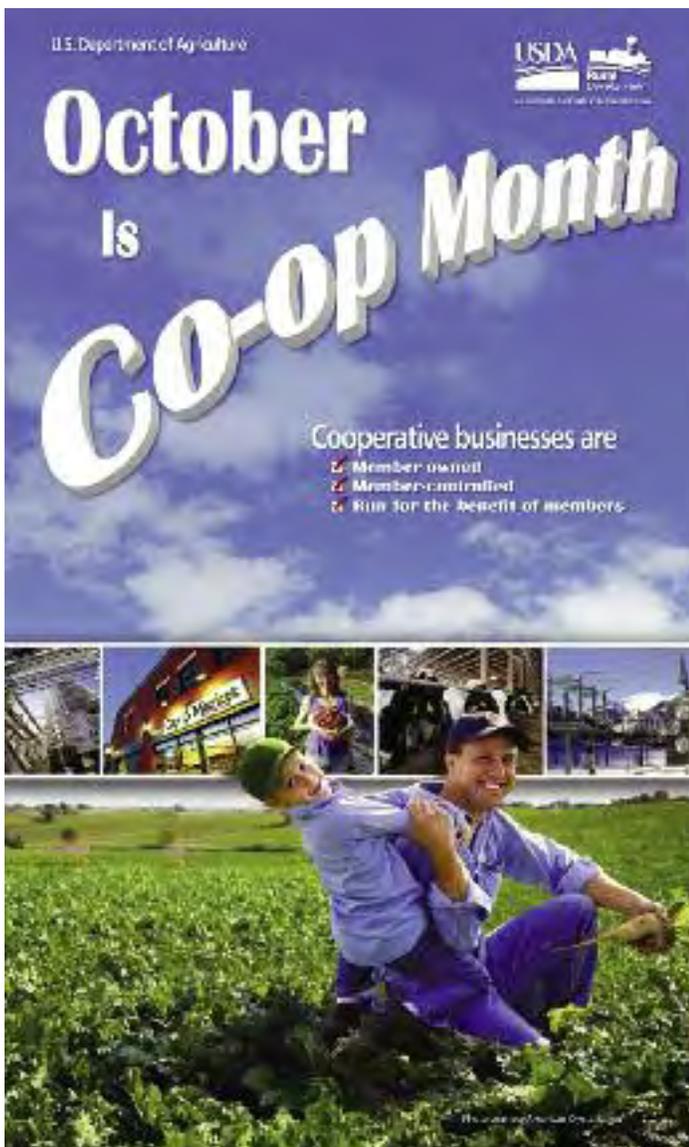
Open houses or field days are an effective way to engage members and

## Key messages for Co-op Month

Here are some key messages to relate in interviews and press releases that have been found to resonate with the media and the public. They help achieve the goals of Co-op Month, which are to raise public awareness of cooperatives and celebrate their accomplishments.

- There are more than 29,000 cooperative businesses in the United States with 350 million members (many people belong to more than one co-op). These cooperatives generate \$514 billion in revenue and more than \$25 billion in wages, according to a study conducted by the University of Wisconsin Center for Cooperatives, with support from USDA Rural Development (<http://reic.uwcc.wisc.edu/default.htm>).
- Cooperatives represent a strong business model and greatly contribute to both the national and local economies.
- Studies show that consumers want to do business with companies that share their values, making today’s environment ideal for cooperatives and their commitment to the communities in which their members live and work.
- Co-ops don’t have to answer to outside shareholders; they care about meeting their members’ needs.
- Co-ops represent democracy in action, with control exercised by a board of directors elected from the ranks of members; the board hires and directs management and is ultimately responsible to the members;
- Cooperatives generate jobs in their communities, keep profits local and pay local taxes to help support community services. Cooperatives often take part in community improvement programs, ensuring that everyone has an opportunity to benefit from the cooperative experience.

To better “bring home” these messages, gather additional data about the role and power of co-ops in your state, region or community. ■



the public. These events can include vendor booths to provide information on products the cooperative sells. Demonstrations and tours of co-op facilities and/or at a member's farm can also help educate the public about agriculture in general.

For example, a grain co-op can begin with a facility tour that shows how grain is stored and loaded onto rail cars or trucks, or how its feed mill operates. Farmer co-ops with an agronomy division can have an application rig on hand to demonstrate how global positioning systems (GPS) enable fertilizer to be directed only where needed and in the proper amounts. For an even more ambitious program, hand

out maps with driving directions to the farms of several members, each of whom have agreed to demonstrate some aspect of farming.

Some co-ops hold related activities — such as games, raffles, cookouts, etc. — to boost interest in their open house. These types of activities can be an easy way to showcase the services and products of the cooperative and provide greater information to members and the public.

Other types of cooperatives — such as electric co-ops and credit unions — can also hold open houses to encourage members and the general public to

learn more about the cooperative and its functions. Some use Co-op Month envelope stuffers in their mailings to promote co-op education.

### More co-op education ideas

Here are some other activities your co-op may consider:

- Set up a Co-op Month banner at your cooperative or a public facility;
- Hold a workshop for members and/or the general public on an important topic for your co-op. For example, electric co-ops can hold a workshop on energy conservation in homes and businesses or to address what the co-op is doing to promote renewable energy.

- Write a letter to the editor about the importance of co-ops in the economy and the part your co-op plays locally.
- Contact your governor's office and request a state Co-op Month Proclamation be issued (this is often done by state co-op councils, so check with them first. This often takes many weeks of lead time);
- Add some Co-op Month content to your website.
- Perform a community service project or hold a fund raiser in honor of Co-op Month. These activities can range from cleaning up a stretch of highway or a public park to staging an event such as the annual race in Washington, D.C., held to raise money for co-op development.
- Hold a Co-op Month breakfast, luncheon or dinner for members and/or community members, and include a short co-op presentation.
- Co-op stores can distribute special coupons for members to use during October.
- Provide co-op educational brochures and booklets at your event, such as the "Do Yourself a Favor, Join a Co-op" brochure from USDA Rural Development. Visit [http://www.rurdev.usda.gov/BCP\\_Coop\\_Library/OfPubs.htm](http://www.rurdev.usda.gov/BCP_Coop_Library/OfPubs.htm) to see the co-op publications available from USDA. To order, send an e-mail to [coopinfo@wdc.usda.gov](mailto:coopinfo@wdc.usda.gov), or call (202) 720-6483.
- Encourage year-around co-op education by directing your members to sign up for a free electronic subscription to USDA's "Rural Cooperatives" magazine at: <http://www.rdlist.sc.egov.usda.gov/listserv/mainervlet>.

Like co-ops themselves, this annual observation is a do-it-yourself effort. Let your members know that your co-op celebrates its unique business structure and service to them, and that it in turn fully appreciates their participation. Get prepared — October is the perfect time to do this! ■

# Newsline

## Co-op developments, coast to coast

Send co-op news items to: [dan.campbell@wdc.USDA.gov](mailto:dan.campbell@wdc.USDA.gov)

### New River Organic opens distribution facility

New River Organic Growers (NROG) in May opened its first distribution facility in Ashe County, N.C. NROG is a nonprofit farmers co-op formed in 2000 in the Blue Ridge Mountains of North Carolina. The distribution facility will help the co-op increase sales in summer and, by allowing the co-op to store winter crops (such as winter squash and potatoes), it will also boost its winter sales.

NROG currently includes more than 55 farms that provide produce, eggs, cheese and meat to the cooperative. It sells these items to more than 70 buyers, including restaurants, buyers clubs, retailers and wholesalers. The co-op had sales of \$240,000 in 2012 and says it is on track to increase sales by 70 to 100 percent in 2013.

This year NROG has expanded its membership to include conventional farmers, and it reports that there has been “a great deal of interest from local farmers” in joining the co-op. The co-op is actively seeking member-farmers in the High Country area, as demand is out-pacing its supply. Growers and buyers can find out more about NROG by contacting Caleb Crowell at (828) 773-1588.

### Study shows federal milk marketing order could benefit California

The findings of a five-month-long study commissioned by California Dairies Inc. (CDI), Dairy Farmers of America Inc. (DFA) and Land O’Lakes Inc. (LOL) indicate that a properly written federal milk marketing order for



*Jill Nicklaw of Sunshine Cove Farms in Boone, N.C., harvests a batch of organic micro mizuna, which are cut to order and sold throughout western North Carolina through New River Organic Growers.*

California would provide a regulatory structure that could result in higher farmgate prices, benefitting California dairy farm families. The three

cooperatives, representing about 80 percent of the milk produced in California, collectively funded the comprehensive modeling study to

# O'Brien new leader at USDA Rural Development

Doug O'Brien was appointed acting under secretary for USDA Rural Development on May 6, succeeding Dallas Tonsager, who had served in the position since the beginning of the Obama administration. O'Brien, who was raised on a diversified farm in Iowa, has dedicated his career to agriculture and rural policy.

Before this appointment, O'Brien served as deputy under secretary for Rural Development. Prior to that, he was senior advisor to Agriculture Secretary Tom Vilsack, which followed service as chief of staff to USDA Deputy Secretary Kathleen Merrigan.

The USDA mission area O'Brien now leads encompasses three main program areas: the Rural Business and Cooperative Service, the Rural Utilities Service, and the Rural Housing Service. It includes USDA's Cooperative Programs, which helps agricultural and other types of cooperatives via co-op education efforts (including production of "Rural Cooperatives" magazine) and through research, statistics, technical assistance and financial programs that assist cooperatives. Through the Rural Utilities Service, O'Brien will oversee USDA programs that provide financing and technical assistance for the nation's rural electric and telecommunications cooperatives.

"I am a strong believer in the cooperative business model and believe co-ops have untold potential to help not only agriculture, but all rural people facing a common need," O'Brien says. "As democratically governed, member-



owned and member-benefitted businesses, co-ops help keep control of a business in the hands of the people who use it and rely on it for goods and services that are crucial to their well-being."

Before joining USDA, O'Brien served as the assistant director at the Ohio Department of Agriculture. In this capacity, he assisted the director in administering the day-to-day operations of that department in such areas as plant industries, animal health and its laboratories. In addition, he was responsible for developing the department's biofuels, bioproducts and renewable energy policy.

O'Brien has also served as senior advisor to Iowa Governor Chet Culver, interim co-director for the National Agricultural Law Center in Fayetteville, Ark., and senior staff attorney at the Drake Agricultural Law Center in Des Moines, Iowa. He is former counsel for the U.S. Senate Agriculture Committee, where he worked on the 2002 Farm Bill.

He also served as legislative assistant for U.S. Representative Leonard Boswell of Iowa, focusing primarily on Rep. Boswell's work on the House Agriculture Committee, and was a clerk for Justice Jerry Larson of the Iowa Supreme Court. O'Brien graduated from Loras College and earned a Juris Doctorate with honors from the University of Iowa. He also holds a Master's Degree in agricultural law from the University of Arkansas. ■

examine issues and benefits of replacing the current state milk marketing order with a federal order.

The study was conducted by Mark Stephenson, University of Wisconsin-Madison, and Chuck Nicholson of Penn State University. After a thorough review of the study results, including possible consequences and opportunities, the three cooperatives agreed to continue working toward a change in the regulatory structure.

CDI, DFA and LOL will be holding a series of explanatory sessions for

members to share the results and receive input on how best to move forward.

## Aurora Cooperative announces expansion

Aurora Cooperative, a leading grain marketer and agricultural supplier based in Nebraska and serving farmers in multiple states, has announced finalization of expansion of Aurora Agronomy in Texas, South Dakota and Nebraska.

The expansion in Texas involves a

seven-location acquisition of Plains Aerial Co., previously owned by Lance Ollinger and headquartered at Olton, Texas. Other Texas sites being acquired include Cotton Center, Slaton, Tahoka, Lamesa, Groom and Levelland. These sites will continue to operate under the Plains Aerial brand, with Ollinger leading operations and assisting in the consolidation of these sites with Aurora Ag Aviation, a division of Aurora Agronomy.

The South Dakota expansion involves a three-location acquisition,

including facilities in Mitchell (Big Green Agronomy), Letcher (MJ Aviation) and Elk Point (MJ Aviation). John and Marci O'Connell, previous owners, will continue managing the sites, which will continue to operate under the Big Green and MJ Aviation brands. The Aurora Ag Aviation and Aurora Agronomy teams will provide service and oversight.

The co-op has completed the construction of its newest Aurora Agronomy retail site in David City, Neb. The facility is now fully functional, serving area farmer-owners from the 31-acre facility.

"In each of these expansions, Aurora's ground and aerial agronomy capabilities are further enhanced," says George Hohwieler, president and CEO of Aurora Cooperative, adding that all the businesses acquired "share Aurora's culture and vision."

### Azevedo new chairman at California Dairies



John Azevedo

John Azevedo has been elected board chairman of California Dairies Inc. (CDI), the nation's second largest dairy processing cooperative. Azevedo, who had been first vice chairman, succeeds Brian Pacheco, who will continue to serve on the board and will remain on the executive committee as a member-at-large.

"It is an exciting time at California

Dairies Inc. as the cooperative grows its markets, its products and the return on investment to its member-owners. I look forward to the challenge of improving the cooperative and the California dairy industry," says Azevedo.

A member of the board since 2007, Azevedo also serves on the California Dairies' Political Action Committee, the Milk Fat Marketing Challenge Dairy Products Inc. Committee, and the Finance and Capital Base Planning Committee. As chairman, Azevedo will also serve in an ex-officio capacity on all committees.

California Dairies Inc. produces 47 percent of California's milk. It is co-owned by more than 430 dairy producers who ship 18 billion pounds of milk annually. It is the home of two leading brands of butter: Challenge and Danish Creamery.

### CHS, ConAgra, Cargill plan flour joint venture

CHS Inc., ConAgra Foods and Cargill in March announced an agreement to combine their North American flour milling businesses to form Ardent Mills. The venture would bring together two of the nation's leading flour milling companies: Horizon Milling, a Cargill-CHS joint venture formed in 2002, and ConAgra Mills.

Because the new venture would control about one-third of the U.S. flour market, it is being reviewed by the U.S. Justice Department's antitrust division. About a dozen wheat-growing states, led by Oklahoma's attorney general, are joining with the Justice Dept. in its review of the deal, according to a Reuters' news report, which quotes Justice Department spokeswoman Gina Talamona as confirming that the deal is under review.

The three firms say the new company would bring innovative flour and grain products, services and solutions to the marketplace. Ardent Mills' products "will be backed by an extensive network of wheat sourcing

capabilities and flour milling and bakery mix facilities across North America," they said in a joint press release. "The company will offer a unique set of services, including product development resources, technical and application support, supply-chain management and commodity price risk management."

The owners expect the formation of Ardent Mills to be completed late this year, following regulatory clearances, financing and "the satisfaction of customary closing conditions." Dan Dye, currently president of Horizon Milling, would then become CEO of Ardent Mills.

Annual sales for Horizon Milling are about \$2.5 billion while ConAgra Mills sales were about \$1.8 billion last year. The owners say they intend for Ardent Mills to be self-financed through cash flow from operations and its own bank debt and credit facility. The structure and amount of Ardent Mills' debt financing will be determined during the pre-close period. The owners say they intend to receive cash distributions from Ardent Mills at closing. Initial estimates of the total proceeds to be distributed range from \$800 million to \$1 billion.

### Mulhern next CEO at NMPF

The National Milk Producers Federation (NMPF) has announced that Chief Operating Officer Jim Mulhern



Jim Mulhern

will take over as president and CEO on Jan. 1. Mulhern will succeed Jerry Kozak, who has led the organization since 1997. Kozak will continue his involvement with NMPF's Cooperatives Working Together (CWT) program, which provides export assistance to member cooperatives.

"We are very excited to have such a knowledgeable and capable leader at the head of our team in the coming years," says NMPF Chairman Randy Mooney, a dairy producer from Rogersville, Mo. "Jim's impressive and extensive track record of working on dairy issues made him the ideal choice."

Mulhern, who joined NMPF in January 2013, has been managing the communications, government relations and membership functions of the organization. His appointment as COO marked a return to NMPF; he had directed the organization's government relations program earlier in his career.

A Wisconsin native, Mulhern worked for NMPF in the mid-1980s, then served as chief of staff for Wisconsin Sen. Herb Kohl. Mulhern also worked in senior management positions for Fleishman-Hillard, the Fratelli Group and Watson/Mulhern LLC. During this period, he maintained a close relationship with the dairy industry and NMPF by working as a consultant on numerous projects. "I look forward to building further upon the relationships and successes of the past, but with a clear focus on addressing the challenges to dairy farming's future," says Mulhern.

## Blue Diamond opens Turlock plant

Doors to Blue Diamond's almond processing plant in Turlock, Calif., opened in June as California dignitaries and guests toured a facility that represents the largest single investment made in the almond industry since 1910, when the cooperative was first organized. "The Turlock plant supports significant growth in our global almond ingredients business," said Mark Jansen, Blue Diamond president and CEO, adding that the facility "sets new



*Co-op leaders and guests cut a ribbon to officially open Blue Diamond's new processing plant in Turlock, Calif. Photo courtesy Blue Diamond*

standards for food safety."

The 200,000-square-foot plant represents almost half of a three-phased, capacity-enhancement project scheduled to be completed during the next 10 years. The first phase will create 300 jobs, including 100 direct jobs, an estimated 123 additional indirect local supplier-based jobs, and

79 jobs created by increased consumer spending in the community, according to Randall Svedbeck, research manager for the Stanislaus Economic Development and Workforce Alliance.

The phase 1 expansion will help meet growing global demand for value-added almond ingredients from major food companies worldwide. Cereals,

snack bars, yogurt toppings, baked goods and candies are among the many destinations for products from this plant. Value-added revenue for Blue Diamond's Global Ingredients business soared 69 percent between 2009 and 2011.

The co-op also recently opened a 6,500-square-foot Almond Innovation Center at its headquarters in Sacramento. The new facility will be a showcase for new almond product concepts, with the goal of increasing

sales of new products fivefold in the next five years. The Sacramento Area Commerce & Trade Organization presented the co-op with its Powering Innovation Capstone Award in March, recognizing the business potential of the new Innovation Center.

In other Blue Diamond news, the co-op is closing its hazelnut packing division in Oregon after operating it for more than 30 years. It will be sold with all equipment. The co-ops says there has been interest from other packers

in buying it.

## Wisconsin co-ops complete merger

Allied Cooperative has been created through the merger of two Wisconsin cooperatives: Wisconsin River Co-op in Adams and Farmers' Co-op Supply & Shipping Association in West Salem, Wis. They completed the merger April 1.

Wisconsin River Co-op has locations in Adams, Mauston, Necedah, Plainfield, Plover and Wisconsin Dells.

## Organic Valley keeps rolling after fire at HQ



About 50 percent of the Organic Valley headquarters office building in La Farge, Wis., was destroyed May 14 by a fire that 11 area fire departments were called out to fight. The building was fully occupied when the fire broke out, but there were no reported injuries.

About 250 of the co-op's office workers were deployed to temporary offices, but CEO George Siemon said he was proud that the co-op never missed an order due to the fire. "We're pleased with the staff's response and the work that's been done, and we've been touched by the community's support," Siemon said. He also praised the "heroic efforts of firefighters" to extinguish what he described as a very difficult fire to extinguish.

Couleecap in Westby, Wis., a nonprofit that provides services to needy families, provided space for 65 Organic Valley employees following the fire, with most of the other displaced workers initially working from temporary trailers.

"Fortunately, our distribution center and other facilities are fully operational. Our contingency plans are in progress, and we continue to ship and take orders on schedule. We anticipate an expedient recovery in La Farge," the co-op said in a statement posted on its website soon after the fire. "Our dedication to cooperation and quality, organic food is stronger than ever. And as we face this challenge together, we are taking cooperation to a whole new level." ■



*Clockwise from top: Putting out embers following the blaze; repair work underway in the damaged interior; out of his office but not out of work, a resourceful staff member plunks down in the office parking lot, needing only his cell phone and a tablet to keep the co-op's orders moving. Photos courtesy Organic Valley*

Farmers Co-op Supply and Shipping Assoc. operates stores in West Salem, Galesville, Melrose, Mindoro and Tomah. The merger won overwhelming support from members of both governing boards, according to a joint press release. Agricultural products and services offered by the new cooperative will not change at retail stores.

“We will improve the utilization of our facilities and equipment,” says Allied CEO Timothy Diemert. “We will add efficiency to our sales and delivery routes. We will also be better positioned for growth and have increased access to capital.”

New projects being planned by Allied include building a new fertilizer plant in Tomah this spring. The new plant includes 8,000 tons of dry crop nutrient storage and 1,800 tons of liquid-blending capacity, the co-op says. Construction has also begun on a grain plant at the same location with a 1.16-million bushel capacity, which should be open this fall.

### **Cartoon character to promote REAL® Seal**

In its ongoing effort to revitalize and build awareness of the dairy industry’s iconic REAL® Seal — in use for nearly 40 years — the National Milk Producers Federation (NMPF) is introducing a cartoon character modeled after the logo. A contest is being held to name the cartoon character. Names may be submitted



through the REAL® Seal website: [www.realseal.com](http://www.realseal.com). All entries must be received by Aug. 31, 2013. The top three names entered will be posted in September on the REAL® Seal Facebook page ([www.facebook.com/realsealdairy](http://www.facebook.com/realsealdairy)) and subject to a vote. The

name with the most votes will be declared the winner.

The Facebook page includes interactive updates, multimedia presentations, contests, polls and quizzes.

### **CWT members support program changes**

Members of Cooperatives Working Together (CWT) have endorsed a larger investment in the farmer-funded, self-help program by voting to raise the membership requirement from 2¢ to 4¢ per hundredweight, effective July 1, 2013, running through Dec. 31, 2015.

The additional investment will cover the large increase in CWT member requests for export assistance in 2013, driven by increased demand in world dairy markets for U.S. American-type cheeses, butter, whole milk powder and anhydrous milkfat.

Since the start of 2011, the CWT Export Assistance program has helped member cooperatives sell 257.7 million pounds of American-type cheeses and 111.5 million pounds of butter to 39 countries on six continents.

### **Equity Livestock marks 90th anniversary**

Equity Cooperative Livestock Sales Association celebrated its 90th anniversary at 10 annual district meetings held in late March. The cooperative reported net proceeds of \$1.67 million.

“Equity, as a producer’s marketing cooperative, is built on strength, dedication and partnerships,” says Chuck Adami, president/CEO. “Partnering with you since 1922, we’ve always encouraged our members to stay connected as we strive to improve on the programs and services that will be advantageous to a successful future.”

When it was launched in 1922, Equity operated collection points from which it moved livestock by rail to the terminal market in Milwaukee or direct to a packing plant. Equity transitioned from private treaty sales to auction markets in 1957. The commodity division began in 1985 and the Equity

Livestock Credit Corporation (ELCC) was formed in 1992.

Equity, a federated cooperative with its corporate office in Baraboo, Wis., operates 12 auction markets and services producers in Illinois, Iowa, Michigan, Minnesota, South Dakota and Wisconsin. It assists producers with marketing, managing and financing their agricultural businesses.

### **O’Brien: Regional food systems could boost rural NY**

Doug O’Brien, acting under secretary for USDA Rural Development, recently met with farmers and business leaders to discuss how local and regional food systems can revitalize rural New York. “USDA supports the critical connection between farmers and consumers,” O’Brien said. “Similar to other parts of the country, here in New York we have seen a surge in consumer demand for locally produced food, therefore creating jobs and opportunities for rural residents.”

The roundtable talk at Cornell Cooperative Extension of Erie County was held by USDA in collaboration with U.S. Senator Kirsten Gillibrand. It focused on the opportunities and challenges around the development of food hubs in Western New York. O’Brien also highlighted USDA’s Know Your Farmer, Know Your Food initiative, part of the Obama Administration’s commitment to strengthening local and regional food systems.

Following the roundtable discussion, O’Brien visited Mercy Flight of Western New York, an emergency air-medical transport service that received funding through USDA’s Community Facilities program to purchase a new helicopter.

### **CHS offers Center for Cooperative Growth**

CHS Inc. has introduced the CHS Center for Cooperative Growth, an online platform that gathers and shares diverse viewpoints from agribusinesses, independent agricultural producers,

academia and other leaders to foster greater success among America's cooperatives and their leaders. The online platform, launched last October, features a primary cooperative topic addressed through four perspectives. It allows audiences to participate through online polls and a blog.

To learn more about this new online

platform and view discussions about the dynamic global marketplace, log on to: [chscenterforcooperativegrowth.com](http://chscenterforcooperativegrowth.com).

"We hope this online resource will break complex cooperative topics into informative content to help cooperative leaders learn and grow," says Lynn Foth, vice president of market development and strategic alignment

for CHS. Using the resources on this website, visitors will be better informed about the choices their cooperatives have to grow and remain profitable and sustainable into the future. This quarter, four cooperative leaders talk about the value of the cooperative business model. ■

## Co-ops 'adding value'

*continued from page 10*

and specialty soybeans to overseas markets. Deshler Farmers Elevator Co. currently markets soybeans harvested from within a 25- to 30-mile radius. It sells to truck markets within a 50-mile radius and rail markets encompassing the Eastern United States.

The co-op estimates that, in addition to increasing value to its members, the proposed container-loading facility has the potential to add up to six new jobs. "Rather than selling their soybeans strictly on the local commodity market, Deshler Elevator Cooperative members may now have the ability to access more lucrative overseas specialty soybean markets," says USDA Rural Development Ohio State Director Tony Logan. "Many overseas buyers prefer identity-preserved, non-GMO beans

and they are more than willing to pay a premium price for premium quality."

Excluding food and feed, the VAPG awards include 12 bio-based projects totaling nearly \$2 million. These projects involve processing corn and rice waste into anhydrous ammonia/fertilizer, wood-waste and goat manure into bio-char and enhanced compost, raw timber into wood flooring, miscanthus fiber into bedding and pellets, hay into fire logs, and sheep wool into apparel products.

Another bioenergy project will use sorghum for electricity and fertilizer.

In the 2008 Farm Bill, Congress made several enhancements to the VAPG program. It expanded the definition of "value-added" to include locally produced agricultural food products, and it gave priority to projects that focus on increasing opportunities for small and mid-size family farmers and ranchers, beginning farmers and ranchers, and socially disadvantaged farmers and ranchers. 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. ■



*Rhody Fresh milk sales have proven popular with consumers, and the co-op hopes its cheese will do likewise.*

## Director Diligence

continued from page 31

cooperatives and associated organizations.

- Determine corporate membership in other organizations, associations and federations.
- Establish the responsibilities and duties assigned to each committee that the board creates.
- Establish basic policies about legislative or administrative decisions on local, state, national and international levels that affect the welfare of members.

Directors carry out their duties and responsibilities during board meetings, membership meetings and on their own. Directors need to learn to conduct these necessary tasks and functions. They must have an in-depth understanding of cooperatives and their unique principles. They must also keep abreast of the many associated issues that will arise.

### Assessing directors

Directors should periodically undergo an assessment to ensure that they are fulfilling their responsibilities and duties. A “best practice” is to conduct such a skills assessment when any new director joins the board.

In the USDA report *Assessing the Performance and Needs of Cooperative Boards of Directors* (CIR 58), there is an assessment exercise that can help show where directors are strong and weak. From this assessment, a cooperative board can then find or develop targeted reading or training to improve any deficiencies directors may have. (*Editor’s note: All USDA co-op publications are available on the Internet at: [www.rurdev.usda.gov](http://www.rurdev.usda.gov), and many publications in the CIR series are also available in hard copy, free of charge for educational use*).

This assessment exercise rates

directors in seven different areas: personal competence, board operations, managerial aspects, finance, policies and planning, member relations and leadership. Example questions from the assessment (directors are to answer either “yes,” “unsure,” or “no”) include:

**Finance:** I am able to interpret the cooperative’s financial statements and assess the viability of the cooperative. I am able to analyze equity redemption requests and establish redemption policy.

**Managerial aspects:** I am able to participate in a performance review and appraisal of the general manager. I am able to establish the job description for the general manager, including the specific duties and responsibilities.

**Policies and planning:** I am able to establish objectives and policies for operations and services of the cooperative. I am able to provide ideas/strategies relevant to the cooperative’s objectives.

**Member relations:** I am able to receive ideas and expressions of concern from members and initiate appropriate action on their behalf. I am able to assist in planning the annual meeting program to maximize member involvement and input.

**Personal competence:** I am able to listen and speak effectively with individuals and groups. I am knowledgeable about the potential liabilities of being a director.

**Leadership:** I am able to inform others of the history, values, principles, organization and functioning of the cooperative. I keep attuned to agricultural, business and environmental issues and seek to be knowledgeable in all issues and concerns affecting the cooperative.

**Board operations:** I am able to work well with other directors and the management team. I am able to participate as a member or chairman of a committee.

These are just some of the questions of the assessment exercise tool; there are many others. Cooperative boards may also want to devise some of their own questions for directors to respond

to as well. Once completed, the board should consider discussing some of the major weaknesses identified, based on the assessments, and explore ideas for addressing needs. It may be that a single education program can alleviate a problem area for a number of directors. Some co-op organizations, such as the National Council of Farmer Cooperatives, National Rural Electric Cooperative Association and some state/regional cooperative associations, among others, conduct director training programs especially tailored for co-ops.

The key is to conduct an assessment from time to time and then come up with ways to educate directors in those areas that are identified as problem areas or weaknesses. Having a board of competent, knowledgeable directors coincides with having a well-governed and efficiently functioning cooperative.

### References

- Baarda, James, *The Circle of Responsibilities for Co-op Boards*, Cooperative Information Report 61, U.S. Department of Agriculture, Rural Development, December 2006. On the Internet at: [www.rurdev.usda.gov/supportdocuments/CIR61.pdf](http://www.rurdev.usda.gov/supportdocuments/CIR61.pdf)
- Frederick, Donald A., *Co-ops 101*, Cooperative Information Report 55, U.S. Department of Agriculture, Rural Development, April 1997 (revised November 2012). On the Internet at: [www.rurdev.usda.gov/supportdocuments/cir55.pdf](http://www.rurdev.usda.gov/supportdocuments/cir55.pdf)
- Wadsworth, James J., *Assessing Performance and Needs of Cooperative Boards of Directors*, Cooperative Information Report 58, U.S. Department of Agriculture, Rural Development, October 2000. On the Internet at: [www.rurdev.usda.gov/supportdocuments/CIR58.pdf](http://www.rurdev.usda.gov/supportdocuments/CIR58.pdf)
- USDA cooperative publications library: [www.rurdev.usda.gov/BCP\\_Coop\\_LibraryOfPubs.htm](http://www.rurdev.usda.gov/BCP_Coop_LibraryOfPubs.htm).

## Pennsylvania Bred and Fed

*continued from page 7*

follows each group of animals to substantiate the premiums to be paid.

Untraceable or substituted animals are not eligible for a premium. KBMN uses a production database to monitor the growth of each group and to predict harvesting schedules. KBMN negotiates and tracks all sales using a marketing database, beginning with the cow/calf producer and ending with the retailer. Under agreements reached with producer-members, all producer sectors in the supply chain share in the premiums paid along the way to the retailer.

### USDA assistance

USDA Rural Development has provided key assistance to KBMN, including the following financial assistance:

- A \$35,000 Value-Added Producer Grant (VAPG) was awarded to the network in March 2012 for an economic feasibility analysis and business planning for the aggregation project. The primary consultant was Cathy Smith, executive director of the Keystone Development Center Inc. (a co-op and small business development center that also receives funding from USDA under the Rural Cooperative Development Grant program).

- A \$79,500 Rural Business Enterprise Grant (RBEG) was awarded in April 2012 for website design, advertising, computer software, and portable scales for marketing.
- A \$300,000 VAPG was awarded in May 2013 for working capital to develop and implement the KBMN supply chain infrastructure and to coordinate marketing activities.

### Progress during KBMN's first 30 months

Through February 2013 — KBMN's first 30 months of operation — the network's key accomplishments include:

- Aggregated 7,000 head of cattle for sale, gaining producers an average of \$125 per head, or \$875,000, due to aggregation alone. Additional income resulting from price discovery and negotiation may be as great as the income from the sale of aggregated cattle.
- Improving the market infrastructure by establishing four collection/buying facility sites since July 1, 2012. This reduces transportation and other costs for producers in Clarion, Fayette, Mercer and Tioga counties. All of these locations are equipped with pens, certified scales and loading facilities. All have the ability to handle calves, yearlings and adult animals.
- To accommodate the projected volume of calves needed, KBMN is working to strengthen the state's stocker/backgrounder sector. Two

new cattle backgrounders have been established, adding essential partners in the supply chain. Western Pennsylvania has thousands of acres of under-utilized grassland — often highly erodible land not suitable for row cropping — that can be well used for backgrounding.

- Conducting 23 meetings offering services to more than 2,500 Pennsylvania beef producers.

To ensure a sufficient supply of calves is consistently available, KBMN is striving to further expand its membership. Its goal is to market 20,000 head annually — about 10 percent of the Pennsylvania cow/calf population — by December 2016 (the third full year of operations). This level is sufficient to supply some major local markets in Pennsylvania. When its marketing plan is implemented, KBMN projects that \$3.5 million in additional revenue will be collected annually by Pennsylvania beef producers.

“One of life's greatest satisfactions is helping your fellow man,” Henry says. “KBMN will continue working to increase income to Pennsylvania cattlemen.”

For more information about KBMN, visit: [www.kbmn.org](http://www.kbmn.org), or e-mail: [info@keystonebeef.com](mailto:info@keystonebeef.com). To learn more about UPI, visit: [www.uproducers.com](http://www.uproducers.com). For more information about USDA Rural Development programs, visit: [www.rurdev.usda.gov](http://www.rurdev.usda.gov). ■

*Bob Bryce checks on his Angus cattle, outside Carlisle, Pa. By aggregating and marketing their cattle jointly, small-scale producers are earning more per head.*



# Tune up your CO-OP

Is your cooperative delivering maximum performance for its members?

To help ensure that it's firing on all cylinders, request copies of any of the publications on these pages. Or download them from the Web. Either way, there is no cost.

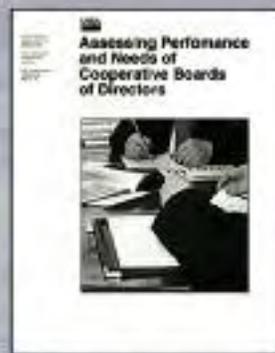
For hard copies (please indicate title, publication number and quantity needed), e-mail: [coopinfo@wdc.usda.gov](mailto:coopinfo@wdc.usda.gov), or call: (202) 720-7395. Or write: USDA Co-op Info., Stop 0705, 1400 Independence Ave., SW, Washington DC 20250

To download from the Web, visit: [http://www.rurdev.usda.gov/BCP\\_Coop\\_LibraryOfPubs.htm](http://www.rurdev.usda.gov/BCP_Coop_LibraryOfPubs.htm).



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

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



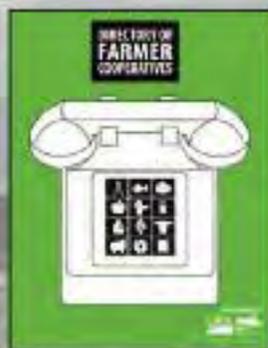
## Assessing Performance and Needs of Cooperative Boards of Directors (CIR 58)

This report helps directors assess a) their individual abilities and areas needing improvement; b) how well the board performs and how it can improve; and c) the productivity and effectiveness of board meetings.



## Cooperative Employee Compensation (RR-228) (Web only)

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



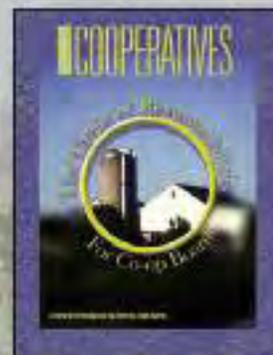
## Directory of Farmer Cooperatives (SR-22)

Contains a listing, by state, of over 1,200 farmer-owned marketing, farm supply, service, fishery, and bargaining cooperatives. Includes each cooperative's contact information, type of cooperative, and products sold. Online version updated every month. Find it along with all other USDA co-op publications at: [http://www.rurdev.usda.gov/BCP\\_Coop\\_LibraryOfPubs.htm](http://www.rurdev.usda.gov/BCP_Coop_LibraryOfPubs.htm).



## Strategic Planning Handbook for Cooperatives (CIR-48)

Presents a method for facilitating the strategic planning process. Facilities, personnel, and equipment associated with the process are described. The five phases of strategic planning are described in detail—agreeing to plan, gathering facts, evaluating facts, defining the plan, and evaluating results. Hints for success are provided throughout.



## The Circle of Responsibilities for Co-op Board Members (CIR 61)

All boards of directors are under increasing pressure to perform well and justify their decisions. Cooperative boards are no exception. This series of articles, originally printed in USDA's *Rural Cooperatives* magazine, lays out fundamental guidelines for cooperative directors to follow.

United States  
Department of Agriculture  
Washington, DC 20250

OFFICIAL BUSINESS

Penalty for private use, \$300

NOTICE:

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

USDA/Rural Business—Cooperative Service  
Stop 0705  
Washington, D. C. 20250-3255

Periodicals Postage Paid  
U.S. Department of Agriculture

# No Co-op is an Island



Shouldn't your members know what's happening out there?

Steer them to USDA's *Rural Cooperatives* magazine – now in its 80th year of helping build stronger co-ops. Each bi-monthly issue is packed with information on successful and innovative cooperatives. Simply post a link to the magazine on your home page: [www.rurdev.usda.gov/BCP\\_Coop\\_RurCoopMag.html](http://www.rurdev.usda.gov/BCP_Coop_RurCoopMag.html). We'll even send you a clickable miniature magazine cover. For an electronic subscription: [www.rdlist.sc.egov.usda.gov](http://www.rdlist.sc.egov.usda.gov)

*Rural Cooperatives: Expand your members' horizons*