



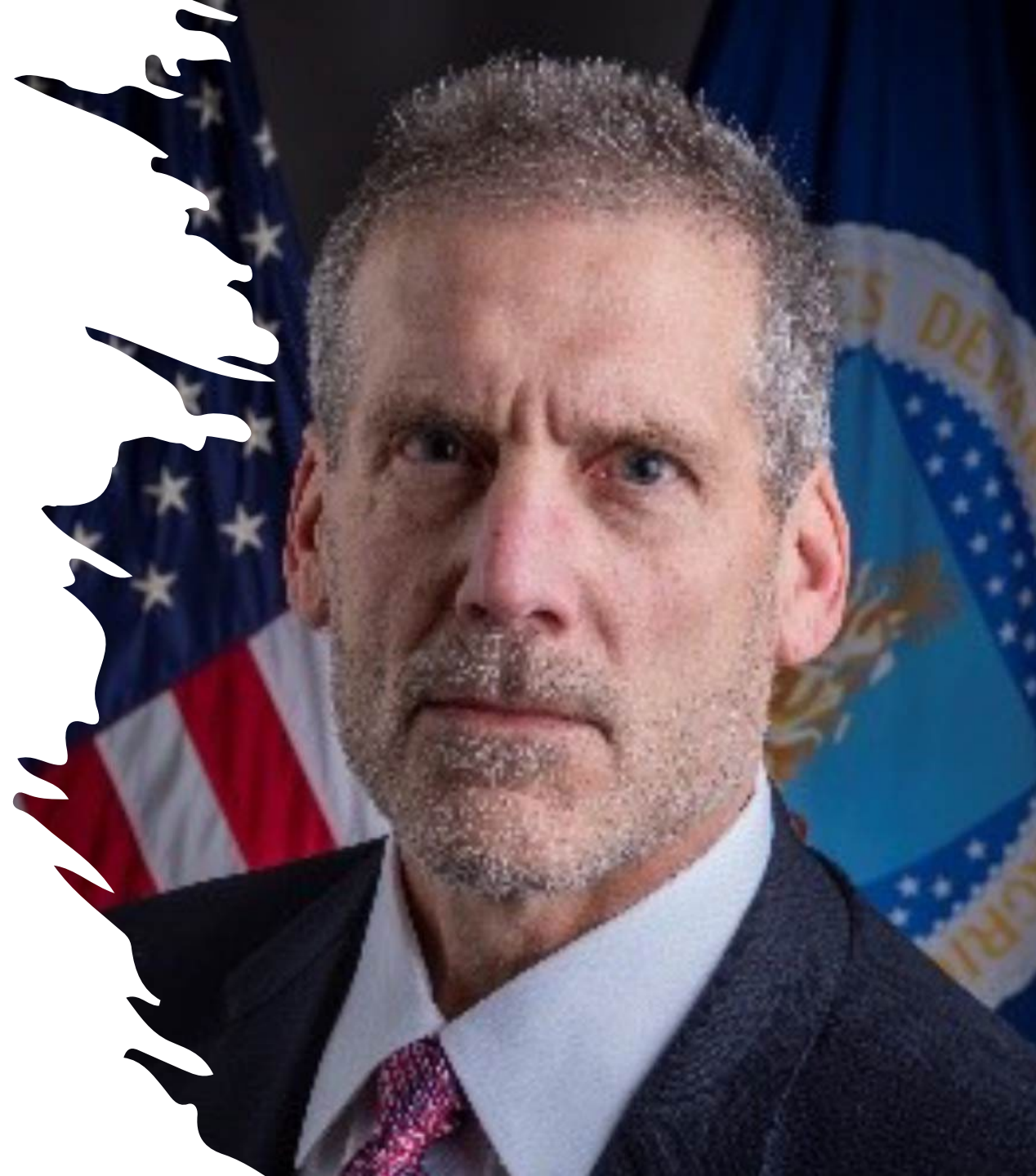
# Interagency Working Group on Cooperative Development

Friday October 29, 2021



# Welcome

- **Andrew Jermolowicz**
- **Director Business Development Division**
- **USDA Rural Business-Cooperative Service**



# Working Group Agenda

- I. Welcome by USDA Leadership
- II. Purpose of the Interagency Working Group
- III. Cooperatives as a Development Tool
- IV. Cooperative Success Stories
  - a. Agriculture
  - b. Food Systems
  - c. The Care Industry
  - d. Cooperative Conversions
- V. Discussion
- VI. Goals
- VII. Next steps



Tohono O'odham Nation Cooperative Market in Arizona

# Introductions

- Please write in the chat your:
  - Name
  - Affiliation
  - **EMAIL ADDRESS (or send it to [Meegan.Moriarty@usda.gov](mailto:Meegan.Moriarty@usda.gov))**
  - A few words about your interest in cooperatives



# Welcome



Xochitl Torres Small,  
Undersecretary for Rural  
Development, USDA



Dr. Karama Neal, Administrator,  
USDA Rural Business  
Cooperative Service



Mark Brodziski, Deputy  
Administrator, USDA Rural  
Business Cooperative Service



## Interagency Working Group on Cooperative Development



The Agriculture Secretary “shall coordinate and chair an interagency working group to foster cooperative development and ensure coordination with federal agencies and national and local cooperative organizations that have cooperative programs and interests.” 7 U.S.C. section 1932(e)(12).

UNITED STATES  
DEPARTMENT OF AGRICULTURE  
Office of the Secretary  
Washington, D.C. 20250

NATIONAL COOPERATIVE MONTH  
October 2021

By the Secretary of Agriculture of the United States of America

A PROCLAMATION

**WHEREAS** the United States Department of Agriculture has designated “**Build Back for Impact**” as its theme for National Cooperative Month 2021, recognizing cooperatives as a trusted, democratic, time-tested way to conduct business and build communities; and

**WHEREAS** more than 30,000 cooperatives—including agricultural, utility, financial services, purchasing, food/grocery, housing, and retail co-ops—operate at 73,000 places of business throughout the U.S., account for more than 2 million jobs, boast about 350 million memberships, and generate \$654 billion in annual revenue; and

**WHEREAS** 1,746 agricultural cooperatives operate at more than 9,500 locations in 50 States, employ 186 thousand people, generate more than \$200 billion in revenue from farmer-owned assets of \$102 billion, and earn more than \$8 billion, much of which is returned to farmer-member-owners in the form of patronage; and

**WHEREAS** rural electrical co-ops provide power to three-quarters of the Nation’s landmass and, along with rural telecommunications co-ops, are helping to expand broadband Internet service, thus making rural America more competitive by promoting job creation and improved education and healthcare services; and

**NOW, THEREFORE**, in recognition of the vital role that cooperatives play in improving economic opportunity and the quality of life in America, I, Thomas Vilsack, Secretary of Agriculture, do hereby proclaim October 2021 as **National Cooperative Month**. I encourage all Americans to learn more about cooperatives and celebrate cooperatives’ accomplishments with appropriate ceremonies and activities.

**IN WITNESS WHEREOF**, I have hereunto set my hand this 28 day of October 2021, the two-hundred forty-fifth year of the Independence of the United States of America.

  
THOMAS J. VILSACK  
Secretary



# Cooperative Resiliency During COVID-19



Many coops provided free WiFi to their communities



Bedford REC Builds Movie Theater (photo provided with permission from the Bedford Chamber of Commerce)





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## Cooperative Resiliency During COVID-19

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**Cooperatives provided vaccine clinics  
for their communities including:**

- Organic Valley (shown here)
- Alabama Farmers Cooperative
- Riceland Cooperative





# Dr. Karama Neal

USDA Deputy Under  
Secretary for Rural  
Development

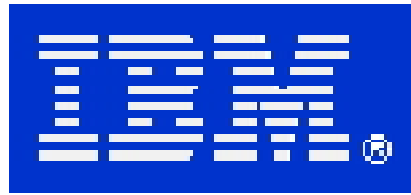




# Which is a Co-op?



We Own The Land, We Own The Trees  
and We Own The Company.®





# Cooperatives Are Successful

- 30,000 cooperatives
- 2 million jobs
- 350 memberships
- \$654 billion in annual revenue
- Operating in every sector of the economy
- 76% of agricultural coops in existence for >50 years

Benjamin Franklin's Mutual Fire Insurance Company established in 1752 is still in operation



# User-Owned, User Controlled, User-Benefit

- User-Owned
  - The people who own and finance the cooperative are those who use it
- User-Controlled
  - The people who use the cooperative are those who control the cooperative
- User-Benefits
  - The cooperative's sole purpose is to provide and distribute benefits to its members on the basis of patronage



Landscape Cooperative Members



# Cooperative Principles

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation among Cooperatives
7. Concern for Community



After Joe Squared Pizza's owner closed the restaurant, former employees reopened it and formed a worker cooperative



Photo courtesy of Joe Squared Pizza Worker Cooperative

## Coops fill market gaps and power $\frac{3}{4}$ of the Nation's landmass

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- NRECA partnered with seven electric cooperatives to provide solar power to low- and moderate-income members

Photo courtesy of Oklahoma Electric Cooperative





# Next Steps

## Identify Opportunities and Challenges

- Federal program resources
  - Identify barriers to coops
- Opportunities for
  - Cooperative conversions
  - Food chain facilitation
  - Care economy coops



Drive-in coop member meeting during the COVID-19 pandemic

Photo courtesy of NRECA photographer Alexis Dunnum

**Welcome**

**Mark Brodziski  
Deputy Administrator,  
Rural Business-Cooperative Service**



# Congress Recognizes Coop Role



Photos: above, men dumping milk early 20th century courtesy Little Falls, NY Historical Society; below, dairy cooperative worker making cheese





# Cooperative Marketing Act of 1926

## Authorized the Cooperative Services Branch at USDA

- **Confers with groups forming cooperatives**
  - **Promotes the knowledge of coop principles and practices**
  - **Analyzes and disseminates cooperative information**
- 
- **<https://www.rd.usda.gov> Search "USDA Cooperative Services"**

## Cooperative Services

HOME › PROGRAMS & SERVICES › COOPERATIVE SERVICES

- Home
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### Cooperative Services

Cooperatives are a world-class business development tool for creating robust, sustainable communities. Organized to meet the economic needs of its member-owners, a cooperative is a particularly resilient business form. It embodies the concept of self-help: members use the cooperative, own it, and control it.

Cooperatives are essential to the U.S. economy, especially in rural communities where they often fill market gaps. Agricultural cooperatives provide effective marketing, low-cost supplies and services to their member owners, and cooperatives bring electricity, e-connectivity, affordable housing, capital, financial services, telecommunications, health care, food, hardware, building supplies, and countless other goods and services to rural America.

The function of Cooperative Services is to foster and sustain this uniquely resilient and flexible structure. We strive to help rural residents form new cooperatives and improve the operations of existing ones by:

- Fostering cooperative development through the dissemination of co-op principles and practices
- Acquiring, analyzing, and disseminating cooperative economic, statistical, and historic information
- Describing cooperative legal and economic ecosystems
- Providing educational materials and conducting cooperative research

**Fostering Cooperative Development**---Cooperative Services provides support and information for people deciding whether and how to form a co-op. Many of these materials are used by economic development professionals, trade associations, extension agents, youth groups, and agriculture and business schools. USDA's [library of cooperative information and research publications](#) include co-op primers such as:

- [How to Start a Cooperative \(en espanol\)](#)
- [Feasibility Study Guide](#)
- [Co-ops 101 \(en espanol\)](#)

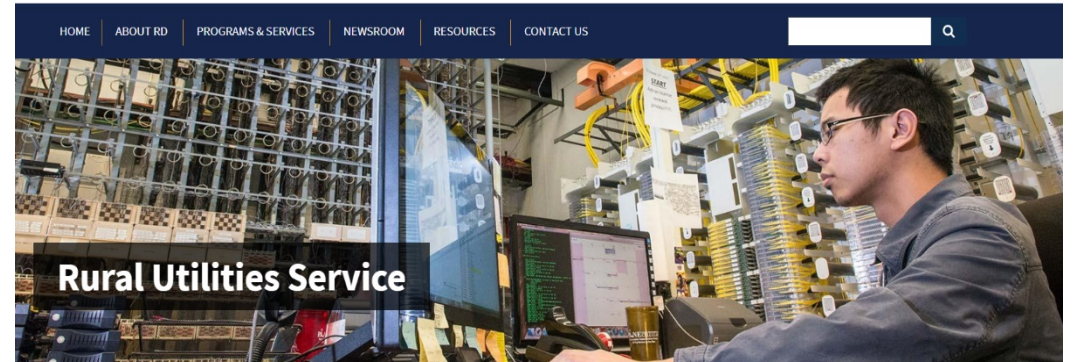
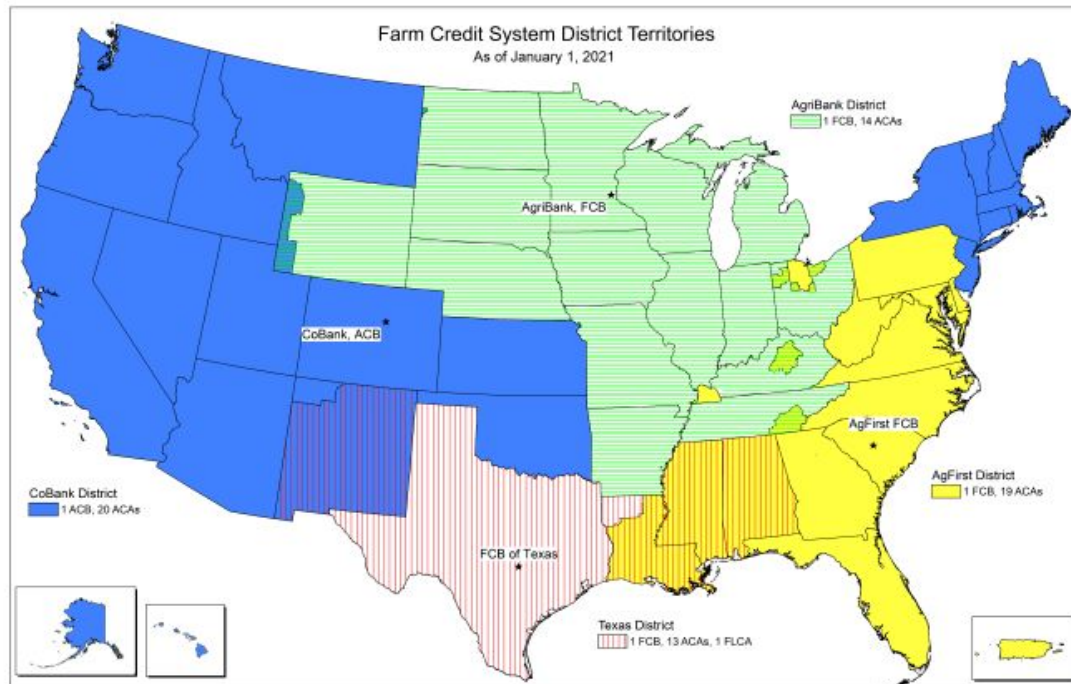
To seek technical assistance help for forming cooperatives or for new cooperative development issues, please reach out to a [Rural Cooperative Development Center](#), many of which are partially funded through [USDA's Rural Cooperative Development Grant](#).

# Rural Electrification Act of 1936

- Earlier executive order created predecessor to USDA Rural Utilities Service

# Farm Credit Act of 1933

- Created Farm Credit Administration and System of Cooperative Banks



<https://www.rd.usda.gov/about-rd/agencies/rural-utilities-service>

# Grant Programs for Cooperatives

## Rural Cooperative Development Grants

What does this program do?

The primary objective of the RCDG program is to improve the economic condition of rural areas by assisting individuals and businesses in the startup, expansion, or operational improvement of rural

### Who may apply for this program?

- Non-profit corporations
- Cooperatives
- Institutions of higher education
- Public bodies, for-profit businesses, and individuals are not eligible

### Matching funds requirement:

Twenty-five (25) percent of total project costs (5 percent for Native American tribally-controlled colleges and universities that were created

### How do we get started?

Before you apply:

- Request a Data Universal Number System (**DUNS**) number if your organization doesn't already have one. It should not take more than a few business days to get your number. However, you should plan on requesting it at least a month before the application deadline because you'll need that number for the next pre-application step (see below).
- Register your organization with the

## Socially Disadvantaged Groups Grant

What does this program do?

The primary objective of the SDGG program is to provide technical assistance to socially-disadvantaged groups through cooperatives and Cooperative Development Centers. Each fiscal year, applications are

### How may funds be used?

Grant funds must be used to provide technical assistance to socially-disadvantaged groups in rural areas. Examples of technical assistance are:

- Feasibility studies
- Business plans
- Strategic planning
- Leadership training

### How do we get started?

Before you start the registration process, we suggest reading through the HELP materials available on the SAM website. Then, you'll need to create an account. After you create your account by setting up a user id and password, you can register your organization. Remember, you'll need your DUNS number to complete your registration. Also, make a note of your CAGE code and expiration date because you'll need those for your application.

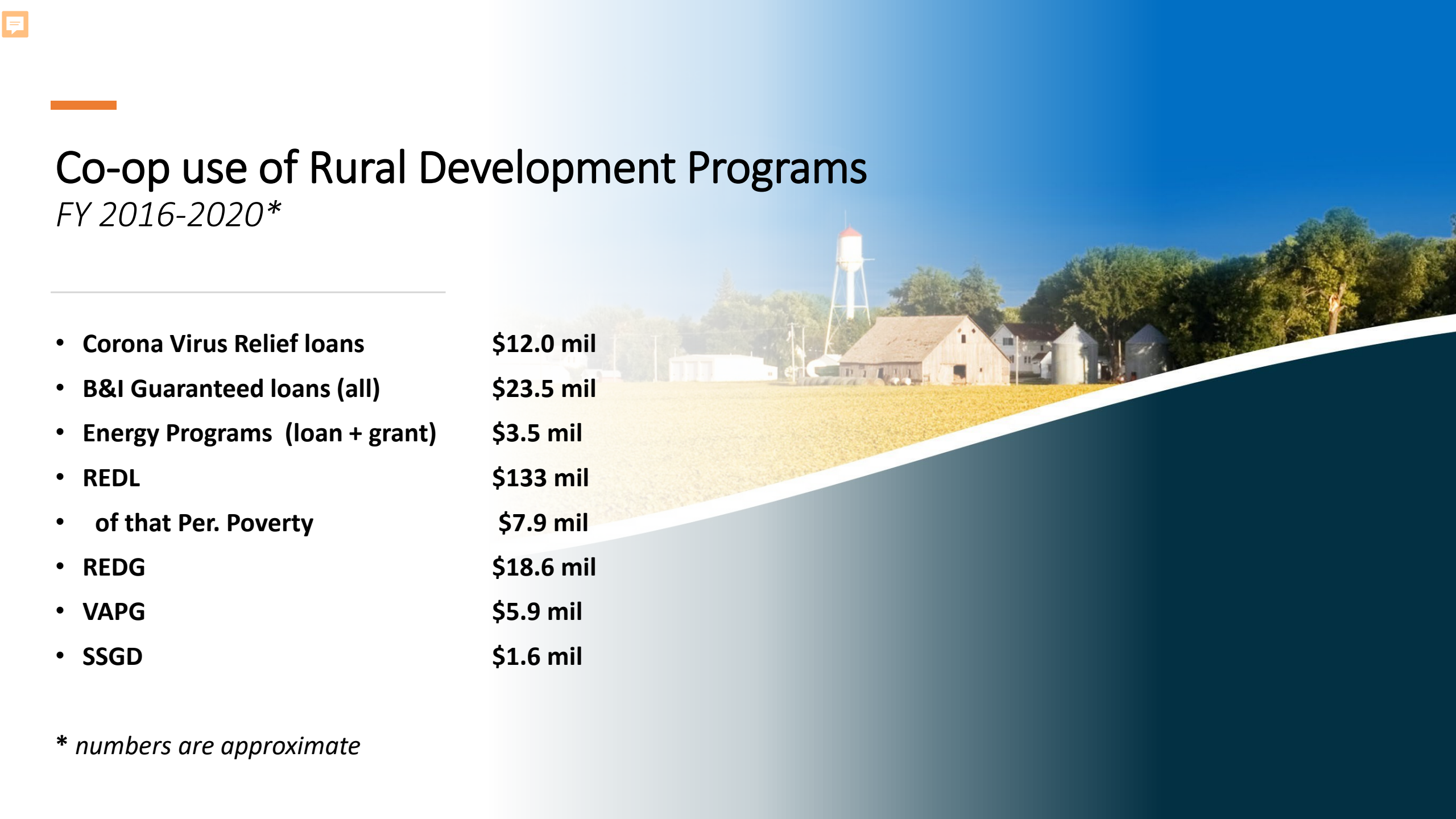
[https://www.rd.usda.gov/sites/default/files/fact-sheet/508\\_RD\\_FS\\_RBS\\_RCDG.pdf](https://www.rd.usda.gov/sites/default/files/fact-sheet/508_RD_FS_RBS_RCDG.pdf)

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# Co-op use of Rural Development Programs

*FY 2016-2020\**



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• Corona Virus Relief loans	\$12.0 mil
• B&I Guaranteed loans (all)	\$23.5 mil
• Energy Programs (loan + grant)	\$3.5 mil
• REDL	\$133 mil
• of that Per. Poverty	\$7.9 mil
• REDG	\$18.6 mil
• VAPG	\$5.9 mil
• SSGD	\$1.6 mil

*\* numbers are approximate*

# Main Street Employee Ownership Act

- Cooperative education role for SBDCs
- Expanded access to SBA loans for some employee-owned businesses
- Education on conversion to cooperatives
  - Over the next two decades, 70% of privately held businesses will change hands
  - Nicknamed the “Silver Tsunami”





# Agricultural Cooperatives



**James Wadsworth**

Branch Chief

Cooperative Programs

USDA Rural Business

Cooperative Service

# Agricultural Cooperatives

A brief statistical review of ag co-ops  
resiliency, longevity, and economic impact  
on the food and fiber industry of the  
United States

## Ag co-ops impact and resilience:

- 1,744 co-ops operating 9,545 locations to serve 1.9 million producer members
- \$201 billion in revenue and a record \$102.4 billion in assets
- A record \$47.5 billion in member equity
- 185,000 employees paid \$11.1 billion in wages and benefits
- Record \$8.3 billion in net earnings in 2020
- Fewest losses reported during 2020 than in a long time

## Ag co-ops longevity:

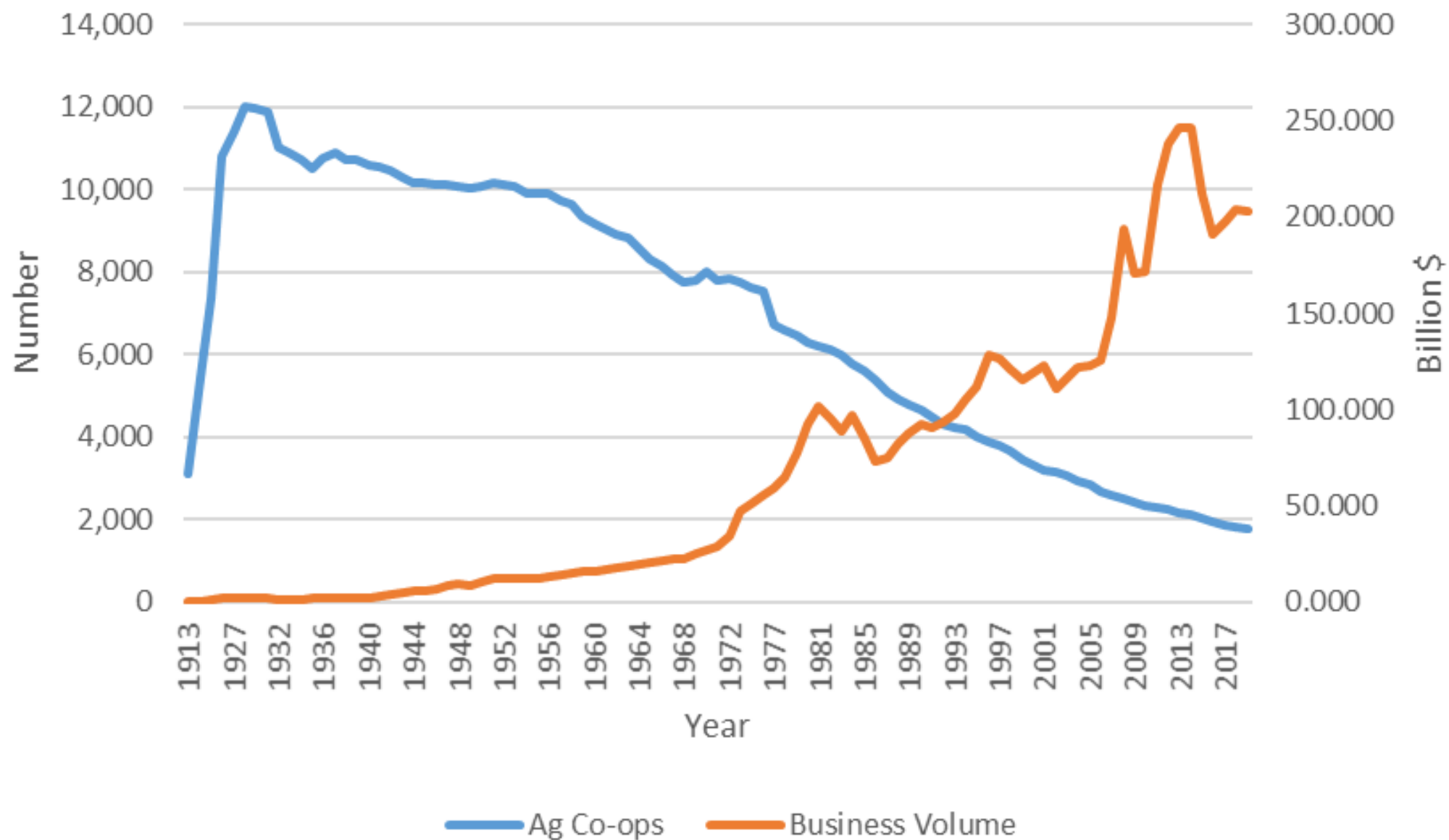
- 18 percent of ag co-ops in existence 100 years or more
- 54 percent 75 years old or more; 76 percent more than 50 years

## Some ag co-ops you've likely heard of or know:

- Sunkist, Land O'Lakes, Florida's Natural, Ocean Spray, CHS, Inc., Cabot, and many more...

Statistics available by request: [coopinfo@usda.gov](mailto:coopinfo@usda.gov)

# Number of Ag Co-ops & Business Volume, 1913-2020



# Food Systems



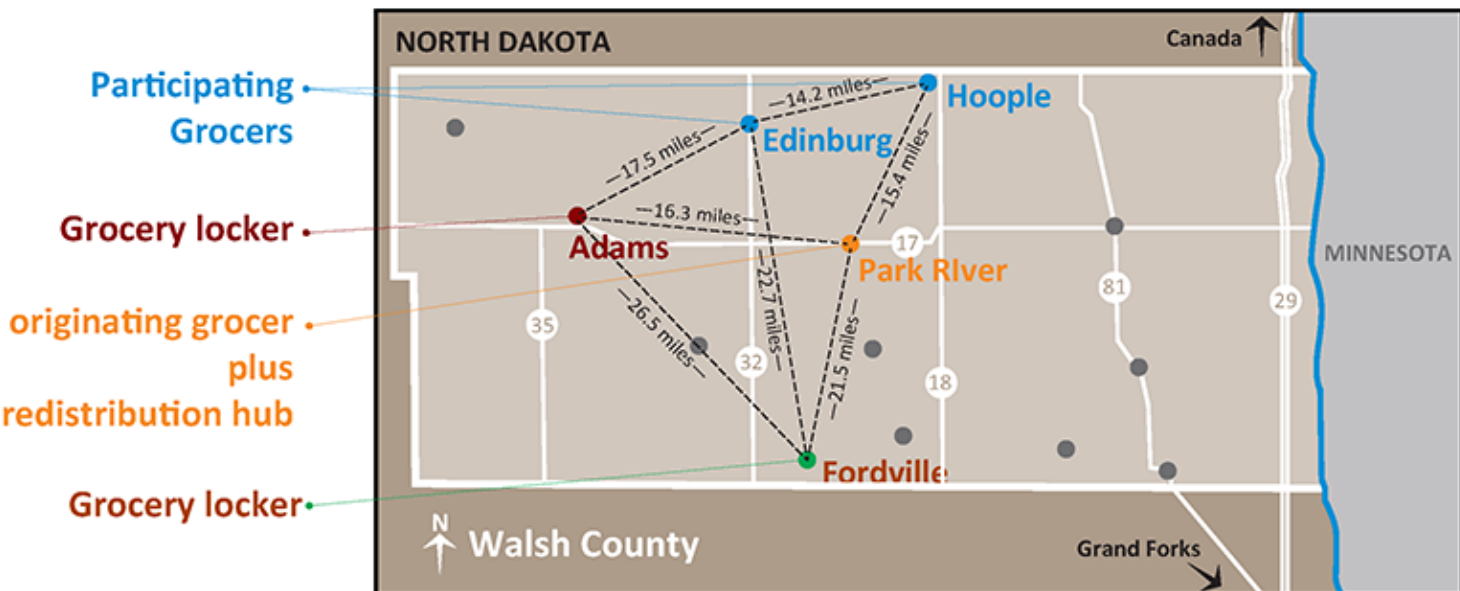
## **Debbie Rausch**

Loan and Grant Analyst  
Cooperative Programs  
USDA Rural Business  
Cooperative Service





# Walsh County Distribution Hub









# Cooperatives in the Care Economy

*"Together, America Prospers"*



**Margaret M. Bau**

Cooperative Development  
Specialist

Cooperative Programs

USDA Rural Business

Cooperative Service



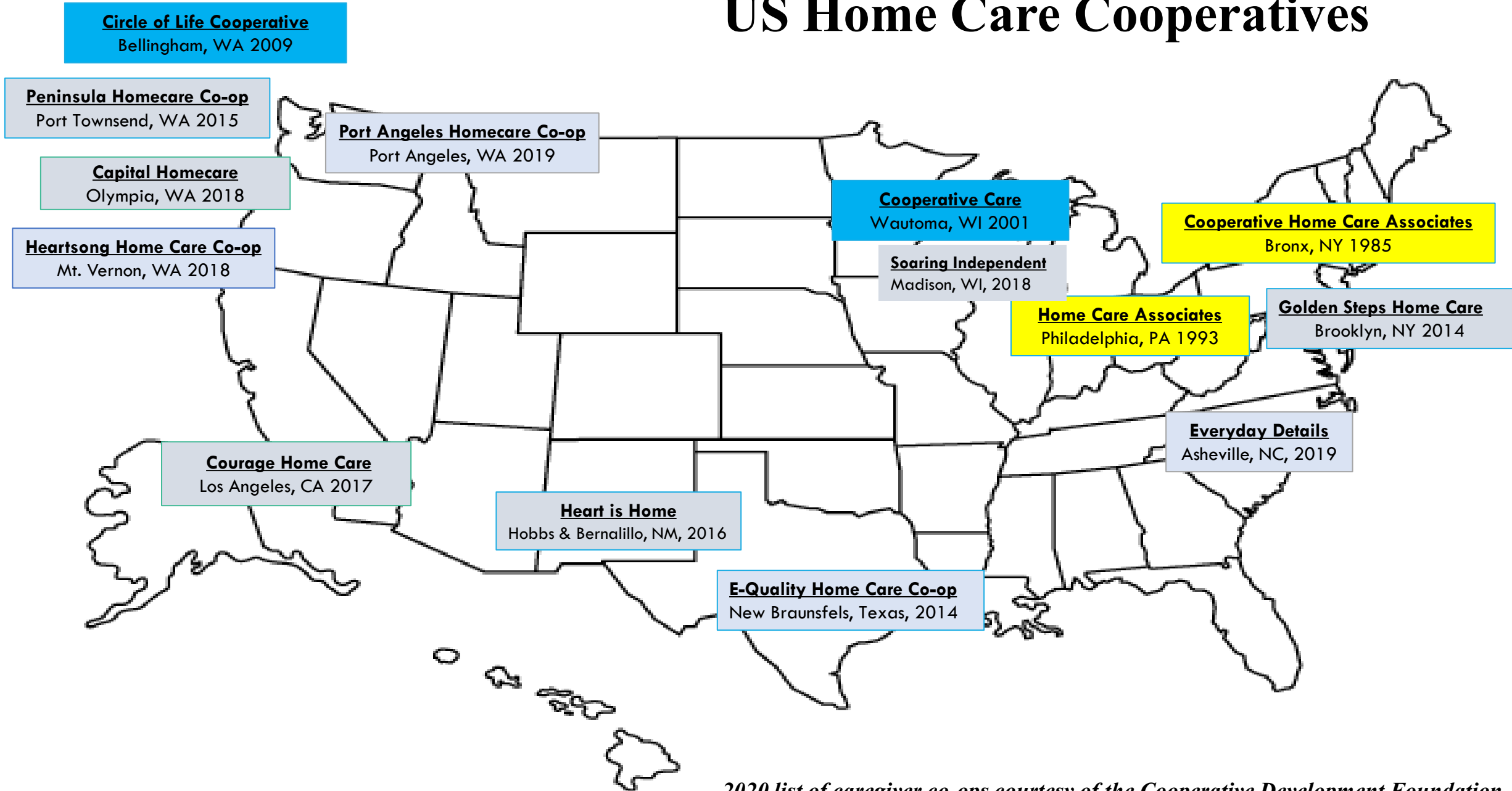
**BUILD BACK FOR  
IMPACT**

# HAPPY CO-OP MONTH 2021!

Visit [coopmonth.coop](https://coopmonth.coop) to learn more



# US Home Care Cooperatives



*2020 list of caregiver co-ops courtesy of the Cooperative Development Foundation, The ICA Group, and the Northwest Cooperative Development Center*



***Bellevue College Cooperative Preschools, Seattle, Washington***



**CoRise**  
COOPERATIVE





*Local news [program](#) on Energy Capital Cooperative Child Care, Hazen, North Dakota*

# Cooperative Conversions



## **Meegan Moriarty**

Legal Policy Analyst  
Cooperative Programs  
USDA Rural Business  
Cooperative Service



# Cooperative Conversions

70% of businesses will change ownership in the next decade due to:

- The “Silver Tsunami” of baby boomer retirements
- Businesses sold to a competitor or private equity firm which may:
  - Take customer lists
  - Remove equipment
  - Lay off employees
  - Move or close the business
- Business closures.



*Real Pickles Cooperative, Greenfield, MA  
Co-founders sold to employees, became co-op  
members. Co-op raised \$400K in equity from  
community in 2 months*

# Cooperative Conversions

- Encourage owners to sell viable businesses to:
  - Employees – OR -
  - The Community
- Using the cooperative model:
  - Employees can purchase business over time – and with coaching – become a **WORKER COOPERATIVE**
  - Vital services (like a grocery) could be purchased by the community and operated as a **CONSUMER COOPERATIVE**



*Island Employee Cooperative, Deer Isle, ME  
Owner of 42 years retired, selling to 70 employees  
the island's only grocery, gas station, variety store*

# A win-win-win resiliency strategy

- Employees
  - Retain jobs
  - Active role in governance
  - Create long term local wealth
- Community
  - Local ownership
  - Local decision making
  - Maintain tax base, property values
- Owner
  - Equitable price
  - Exit the business with equity
  - Legacy after lifetime of work



*North Wind Solar Cooperative, Stevens Point, WI  
Transitioned in 2017  
40-year old founder stayed, becoming a co-op member*

# Ward Lumber Cooperative Conversion

- 131-year-old business
- Jay Ward's children had their own careers
- Assisted in conversion by:
  - New York Small Business Development Center
  - Cooperative Development Institute
  - Cooperative Fund of New England
  - Capital Impact Partners
  - Adirondack North Country Association
- [Ward Lumber Cooperative Conversion Story](#)





# Questions and Comments



- Please enter your questions and comments in the chat
- If we can, we will ask you to unmute yourself so you can speak
- If we are unable to get to your question, we will reply to you via email

Contact: [coopinfo@usda.gov](mailto:coopinfo@usda.gov) OR

Jim Wadsworth: [James.Wadsworth@usda.gov](mailto:James.Wadsworth@usda.gov)

Deborah Rausch [Deborah.Rausch@usda.gov](mailto:Deborah.Rausch@usda.gov)

Margaret Bau: [Margaret.Bau@usda.gov](mailto:Margaret.Bau@usda.gov)

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Cooperative Services Branch Website:

<https://rd.usda.gov/programs-services/all-programs/cooperative-services>



# Thank You For Participating!



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