Interagency Working Group on Cooperative Development

Friday October 29, 2021

Please note that this is a recorded meeting
Welcome

• Andrew Jermolowicz
• Director Business Development Division
• USDA Rural Business-Cooperative Service
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)
  • 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
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).
UNIVERSAL 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

HAPPY CO-OP MONTH 2021!
Visit coopmonth.coop to learn more
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)
Cooperative Resiliency
During COVID-19

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.

FLORIDA’S NATURAL

Self-Help Credit Union

ORGANIC VALLEY

SAM'S CLUB

IBM®

FAIRLY TRADED GOURMET COFFEE

THE SALVATION ARMY

Family of Farms

Welch's 100% Grape Juice

Welch's 100% Grape Juice

Welch's 100% Grape Juice
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 ¾ of the Nation’s landmass

• 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”
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 businesses.

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)

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.


Co-op use of Rural Development Programs

FY 2016-2020*

- 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
Food Systems

Debbie Rausch
Loan and Grant Analyst
Cooperative Programs
USDA Rural Business
Cooperative Service
Walsh County Distribution Hub

Participating Grocers

Grocery locker

originating grocer plus redistribution hub

Grocery locker

NORTH DAKOTA

Canada

MINNESOTA

Grand Forks

Walsh County

Edinburg

Hoople

Park River

Fordville

Adams

Articles of Incorporation
Cooperatives in the Care Economy

“Together, America Prospers”

Margaret M. Bau
Cooperative Development Specialist
Cooperative Programs
USDA Rural Business Cooperative Service
HAPPY CO-OP MONTH 2021!

Visit coopmonth.coop to learn more
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
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

Real Pickles Cooperative, Greenfield, MA
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Island Employee Cooperative, Deer Isle, ME
Owner of 42 years retired, selling to 70 employees the island’s only grocery, gas station, variety store

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 OR

Jim Wadsworth: James.Wadsworth@usda.gov

Deborah Rausch Deborah.Rausch@usda.gov

Margaret Bau: Margaret.Bau@usda.gov

Meegan Moriarty: Meegan.Moriarty@usda.gov

Cooperative Services Branch Website: https://rd.usda.gov/programs-services/all-programs/cooperative-services
Thank You For Participating!

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