

Rural COOPERATIVES

January/February 2016



Co-op
Sprouts from
Grass Roots



United States
Department of
Agriculture

Commentary

VAPG program can be a good fit for co-ops

By **Sam Rikkers**, Administrator
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USDA Rural Development

Regular readers of this magazine are likely well aware of USDA's commitment to cooperative education and its role in promoting the use of cooperative businesses as a way to strengthen the rural economy.

USDA Rural Development also manages a number of financial programs that can help producer cooperatives, one of which is the Value-Added Producer Grants (VAPG) program.

Since the VAPG program was launched in 2001, it has provided cooperatives and other producer-owned businesses across the nation and U.S. territories with more than \$308 million to turn their raw commodities into finished consumer products and commercial goods. VAPGs can fund a wide range of planning and working capital activities, from an initial study to determine if there is a market for the product, to eligible processing and marketing expenses. VAPG aims to create new marketing opportunities and bring profits back to the farm or ranch where the product was grown, and then to local communities.

The VAPG program helps agricultural producers enter into value-added activities related to the processing and/or marketing of bio-based, value-added products. Generating new products, creating and expanding marketing opportunities and increasing producer income are the goals of this program. Priority for these grants is given to farmer and rancher cooperatives, beginning or socially disadvantaged farmers and ranchers and small- and medium-sized farms and ranches that are structured as family farms, or others proposing to develop a mid-tier value product.

The cover story for this magazine provides an excellent example of the type of businesses the VAPG was designed to help. It's a profile of a newly launched, producer-owned co-op in Arkansas that is helping beginning, sustainable-meat producers (beef, poultry and pork) to jointly process and market their products. The challenges facing any new small business are many, but the demand for local, sustainably produced food is growing rapidly, and the co-op reports that it is selling everything its members can produce.

Noteworthy in this article is an additional motivation behind the creation of the co-op: the members' desire to help create jobs and generate economic stimulus in rural areas of the state where the economic recovery has been slow to reach. Commitment to bettering the communities of their members is a core belief behind the cooperative movement, which is well evidenced by this co-op. Equally laudatory is the co-op's commitment to helping hired farmworkers make the transition to farm owners and co-op members.

That article is followed by another that provides a look at a recent VAPG award which helped launch a much-needed processing alternative for small- and medium-sized chicken producers in Virginia's Shenandoah Valley area.

VAPGs are awarded through a national competition, and — in most years — USDA receives many more applications than we have funds for. Since inception, the program has averaged from \$15 million to \$30 million in appropriated funds to be awarded annually. But there's good news on this front. The 2014 Farm Bill made mandatory funding available which, when combined with this year's annual appropriation, will result in \$52 million being available for VAPGs. So, there's never been a better time to see if the program would be a good fit for a value-added project your co-op is considering, or to help launch a new co-op.

The maximum grant amount available is \$75,000 for planning purposes (such as the development of a business feasibility study or for a marketing plan), or up to \$250,000 for a working-capital grant. This is a "matching grant" program, so recipients must provide 50 percent of the money needed for the project.

The 2016 program is expected to be announced in the February-March timeframe. For applications and more information about the program, visit: <http://www.rd.usda.gov>. Just enter "VAPG" in the search engine window of the home page. And while you're there, you can read about some of the other USDA Rural Development programs that can help co-ops and producers. You can also call or visit your nearest USDA Rural Development office to discuss VAPG or any of our other programs.

Cooperative businesses offer so many ways to help producers and other rural people improve their quality of life, and the VAPG program is just one of many ways USDA endeavors to strengthen the co-op sector. Check it out! ■

Features

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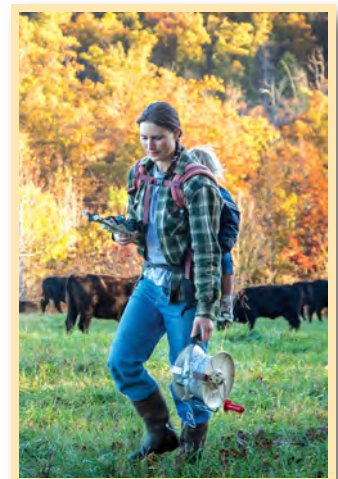
ATTRA resources offer valuable assistance to sustainable producers, cooperatives

By Rich Myers

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ON THE COVER: Andrea Todt, with toddler in "papoose-style" backpack, unwinds electric-line fencing used to circulate cattle from one paddock to another on her farm in the Ozark Mountains of Arkansas. Todt is a founding member of Grass Roots Farmers Cooperative (GRFC), which produces sustainable beef, pork and poultry. Photo by Miranda Yelvington, courtesy GRFC





Minnesota, Iowa, California top states for ag co-op business volume

USDA photo by Lance Cheung

**By James Wadsworth, Carolyn Liebrand,
Charita Coleman**
USDA Cooperative Programs

***Editor's note:** This is the third of three articles that present highlights of USDA's 2014 survey of rural farmer, rancher and fishery cooperatives. The first two articles (focusing on overall co-op statistics and the Top 100 ag co-ops) can be read in the November/December 2015 issue of *Rural Cooperatives*, online at http://www.rd.usda.gov/files/RDRuralCoopMag_NovDec15.pdf.*



Minnesota was the nation's top state for business volume conducted by agricultural cooperatives during 2014. Based on USDA's annual survey of cooperatives, 203 Minnesota agricultural cooperatives reported \$29.2 billion in gross business volume, derived from marketing farm commodities, selling farm supplies and providing services for producers in Minnesota (Table 1). Ranking second was Iowa, where 111 co-ops did \$25.1

billion worth of business. Of the \$240.3 billion in gross business volume for ag co-ops nationwide, Minnesota and Iowa accounted for 22.6 percent of it.

California ranked third among the states for co-op business volume, with its 122 ag co-ops recording \$14 billion in gross business. Wisconsin was close behind with \$13.8 billion generated by 95 co-ops. These two states together represented about 12 percent of the national co-op business total, or about 6 percent each.

Co-op marketing of commodities

Co-ops marketed \$58.8 billion in grains and oilseeds in 2014, making it the largest commodity sector for ag co-ops. Dairy was second, at \$52.4 billion. Fruit and vegetables ranked third, at \$8.4 billion, followed by: sugar (\$7.8 billion), livestock (\$4.9 billion), cotton (\$2.3 billion), nuts (\$1.6 billion), poultry (\$1.3 billion), rice (\$935 million), cotton ginning (\$476 million), beans and peas (\$238 million), fish (\$215 million) and tobacco (\$339 million). "Other" products (which

includes forest products, hay, hops, seed for growers, nursery products, biofuels, coffee, wool, mohair, etc.) accounted for \$8 billion in business volume.

Cooperatives sourced some products from other nations in four commodity sectors: fruit/vegetables, grains/oilseeds, livestock and "other." These foreign-sourced products were valued at \$527 million, with fruit/vegetables accounting for 63 percent of the total.

Grains/oilseeds accounted for the largest portion of commodities marketed by cooperatives, 39.8 percent of total gross marketing, followed by dairy with 35.5 percent (Figure 1). Next came fruit/vegetable (5.7 percent), sugar (5.3 percent), cotton (1.5 percent) and nuts (1.1 percent). The "other" category, including multiple commodities, accounted for 6.5 percent of co-op marketing.

Compared to 2013, nine commodity categories saw marketing gains in 2014. These included: dairy, livestock, fruit and vegetables, sugar, poultry, nuts, fish, tobacco, and cotton ginning. Four categories showed drops in co-op commodity marketing: grains/oilseeds,

TABLE 1—Cooperative business volume of products marketed, supply sales and service receipts by state, 2014

State	Gross Volume of Products Marketed	Gross Farm Supplies Sales	Total Gross Sales	Service Receipts & Other Income	Gross Business Volume	Business Between Co-ops	Net Business Volume	# Co-ops Doing Business in State
	<i>Millions \$</i>							<i>Number</i>
Alabama	466.6	384.9	851.5	26.5	878.0	90.3	787.7	53
Arkansas	1,988.0	857.4	2,845.4	57.9	2,903.3	324.8	2,578.5	44
Arizona	1,181.4	143.2	1,324.6	13.5	1338.1	134.3	1,203.8	19
California	12,975.0	1,001.8	13,976.8	406.8	14383.6	1,263.8	13,119.8	122
Colorado	714.0	1,393.0	2,107.0	53.3	2160.3	551.9	1,608.4	37
Florida	1,592.6	361.5	1,954.1	103.7	2057.8	817.6	1,240.2	39
Georgia	502.9	1,365.5	1,868.4	4.7	1873.1	644.3	1,228.8	28
Iowa	13,658.0	11,435.5	25,093.5	716.5	25810.0	3,069.5	22,740.5	111
Idaho	1,630.8	1,706.5	3,337.2	87.7	3424.9	1,516.9	1,908.0	35
Illinois	8,919.6	8,601.1	17,520.6	450.9	17971.5	2,329.6	15,641.9	123
Indiana	1,829.4	4,526.5	6,355.9	180.9	6536.8	1,789.6	4,747.2	44
Kansas	6,165.5	3,916.2	10,081.7	305.4	10387.1	1,536.0	8,851.1	108
Kentucky	812.1	952.6	1,764.6	11.1	1775.7	237.4	1,538.3	24
Louisiana	1,803.1	446.2	2,249.3	(8.9)	2240.4	185.7	2,054.7	44
Michigan	3,883.0	1,564.0	5,447.0	64.6	5511.6	876.6	4,635.0	60
Minnesota	22,239.7	6,990.1	29,229.8	1,267.8	30497.6	3,545.7	26,951.9	203
Missouri	7,597.6	4,440.3	12,037.9	284.8	12322.7	1,691.5	10,631.2	78
Mississippi	1,030.3	509.6	1,539.9	37.7	1577.6	209.9	1,367.7	54
Montana	1,191.5	2,279.8	3,471.3	31.8	3503.1	818.3	2,684.8	55
North Carolina	626.9	347.2	974.0	5.8	979.8	135.2	844.6	20
North Dakota	6,739.4	4,399.6	11,139.0	192.5	11331.5	887.7	10,443.8	160
Nebraska	7,190.1	5,157.8	12,348.0	465.7	12813.6	1,393.3	11,420.4	66
New Mexico	560.2	46.7	606.9	16.9	623.8	36.0	587.8	17
Nevada	5.2	65.1	70.4	0.0	70.4	24.1	46.3	8
New York	3,448.1	395.1	3,843.2	29.8	3873.0	441.5	3,431.5	63
Ohio	3,491.7	2,447.6	5,939.4	182.4	6121.8	607.3	5,514.5	53
Oklahoma	1,369.5	2,079.1	3,448.5	71.0	3519.5	1,414.4	2,105.1	67
Oregon	3,535.4	2,700.0	6,236.0	31.7	6267.7	936.0	5,331.7	43
Pennsylvania	2,239.4	474.4	2,713.8	7.7	2,721.5	364.5	2,357.0	40
South Carolina	99.1	117.6	216.7	0.3	217.0	41.2	175.8	11
South Dakota	4,938.3	3,853.6	8,792.0	174.7	8,966.7	1,335.5	7,631.2	87
Tennessee	214.1	2,292.7	2,506.8	65.5	2,572.3	640.3	1,932.0	70
Texas	4,800.6	1,620.1	6,420.7	212.0	6,632.7	431.0	6,201.7	194
Utah	313.3	1,011.4	1,324.7	202.9	1,527.6	520.4	1,007.2	21
Virginia	645.1	1,903.1	2,548.2	25.6	2,573.8	728.2	1,845.6	40
Washington	4,715.1	2,773.4	7,488.5	123.1	7,611.6	924.0	6,687.6	70
Wisconsin	9,106.8	4,692.0	13,798.8	393.5	14,192.3	2,021.9	12,170.4	95
Wyoming	73.8	879.1	952.9	8.3	961.2	331.4	629.8	19
Alaska, Hawaii	20.9	193.6	214.5	4.3	218.8	66.1	152.7	22
Mid-Atlantic ¹	840.0	1,041.9	1,881.9	3.6	1,885.5	439.1	1,446.4	36
New England ²	2,049.4	388.2	2,437.6	1.3	2,438.9	289.4	2,149.5	49
Foreign ³	526.9	868.5	1,395.4	0.0	1,395.4	734.7	660.7	11
Total	147,730.6	92,623.9	240,354.5	6,315.3	246,669.7	36,376.9	210,292.8	2,1064

¹ Mid-Atlantic consists of the states: MD, DC, DE, NJ, WV.

² New England states: CT, MA, ME, NH, RI, VT.

³ Sourced from outside the 50 states.

⁴ Note: some cooperatives do business in several states, so the sum of the state number of cooperatives does not sum to the total number of U.S. ag co-ops which is 2,106.

cotton, rice and beans/peas.

Minnesota top marketing state

For total products marketed by ag co-ops, Minnesota, Iowa, California and Wisconsin were the leading states (in that order). Minnesota marketed \$22.2 billion of farm commodities, (15.1 percent of the national total for co-ops), followed by Iowa (\$13.7 billion), California (\$13 billion) and Wisconsin (\$9.1 billion).

Minnesota co-ops marketed the most grain and sugar (\$14.5 billion, combined) while California was the top co-op state for dairy, fruit/vegetables, poultry and nuts (combined total of \$12.3 billion). Arkansas was the top state for rice, with \$409 million in sales, followed by California at \$328 million.

Iowa was the top state for co-op livestock marketing (\$763 million) while Texas was No. 1 for cotton production and ginning (\$1.2 billion, combined). North Dakota co-ops were tops for beans/peas marketing (\$82 million) while North Carolina was the top cooperative marketer of tobacco (\$295 million). New England states led the nation's fishing co-ops with a combined \$100 million in sales.

Iowa leading state for farm supply sales

Iowa was the top state for farm supply sales by co-ops in 2014, recording \$11.4 billion in sales for fertilizer, feed and crop protectants (Table 3). That represented 12.3 percent of the national total of \$92.7 billion in gross farm supply sales by co-ops.

Illinois ranked second, with \$8.6 billion in farm supply sales. It was followed by Minnesota (\$7 billion), Nebraska (\$5.1 billion), Wisconsin (\$4.7 billion), Indiana (\$4.5 billion), and Missouri and North Dakota (each with \$4.4 billion).

Of the six categories of co-op farm supply sales, petroleum was the largest, at \$39.2 billion. It was followed by: fertilizer (\$16.2 billion), feed (\$13.7

FIGURE 1

Relative proportion of commodities marketed by co-ops, 2014

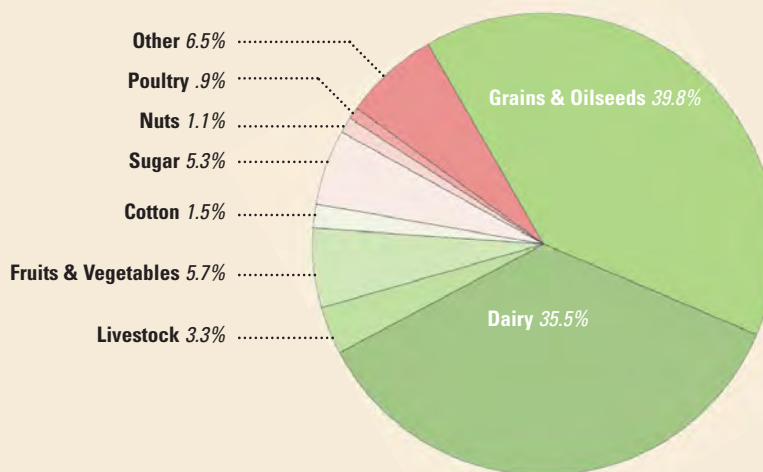
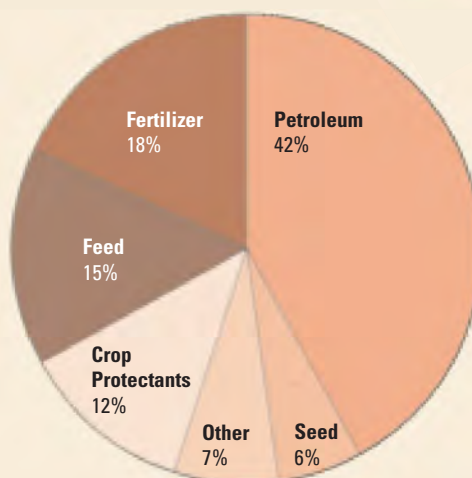


FIGURE 2

Proportion of gross farm supply inputs sold by co-ops, 2014



billion), crop protectants (\$11.5 billion) and seed (\$5.8 billion). Compared to 2013, gross sales of crop protectants, fertilizer and miscellaneous other inputs were up slightly, while feed, petroleum and seed sales were down.

Fig. 2 shows that petroleum accounted for 45 percent of total gross farm supplies sold by co-ops. Fertilizer was next, at 18 percent, followed by feed (15 percent), crop protectants (12 percent), seed (7 percent), and "other" supplies (7 percent).

Inter-cooperative business

Co-ops also cooperate with each other, conducting a significant amount of inter-cooperative business. About

\$36.4 billion in inter-cooperative business was conducted in 2014, a slight decrease from \$37.5 billion in 2013.

The number of agricultural co-ops continues to decline each year, due to mergers and other reasons, but the business they conduct on behalf of their members is increasing.

Regardless of the size of the cooperative or the roles played for members, agricultural cooperatives are owned and controlled by their members. They continue to play a critical role in marketing producers' commodities, often adding value to raw products, as well as selling supplies and providing needed services to member-producers and other patrons. ■

TABLE 2—Top States for gross co-op marketing of commodities¹, 2014²

All numbers in millions \$											
Grain & Oilseeds		Dairy		Livestock		Fruit & Vegetables		Cotton		Sugar	
MN	10,750.7	CA	7,342.3	IA	763.2	CA	3,193.3	TX	914.9	MN	3,756.1
IA	9,029.3	WI	6,704.8	IL	658.0	FL	862.6	GA	303.8	LA	836.3
IL	5,964.7	MN	5,142.0	WI	621.5	MI	838.4	MS	200.0	ND	811.7
ND	5,316.2	MO	4,841.7	OH	326.8	WA	757.2	NC	164.7	ID	788.2
NE	5,160.3	NY	3,038.9	IN	284.8	OR	664.4	AL	117.5	MI	486.8
SE	4,191.0	IL	2,267.9	KS	236.8	WI	474.6	AZ	84.8	FL	448.7
KS	4,083.6	WA	2,228.1	MN	231.2	PA	409.8	AR	66.9	CO	309.0
OH	2,340.6	TX	2,180.0	KY	210.2	N.Eng.	220.8	CA	62.6	MT	93.0
MO	2,038.1	IA	2,082.3	MO	205.3	TX	92.3	OK	60.6	TX	70.1
MT	1,026.6	MI	1,820.3	MI	194.1	NY	82.4	SC	51.3	OR	50.7
Total 14 ³	58,836.7	Total	52,394.4	Total	4,948.3	Total	8,361.5	Total	2,253.7	Total	7,758.3
Total 13'	67,006.7	Total 2013'	42,729.0	Total 2013'	3,345.3	Total 2013'	8,156.6	Total 2013'	2,620.16	Total 2013'	2,908.8
Poultry		Nuts		Fish		Rice		Bean & Pea		Tobacco	
CA	340.1	CA	1,504.6	N. Eng.	99.6	AR	409.4	ND	81.6	NC	294.6
MI	230.8	OR	21.2	WA	48.8	CA	328.3	MI	46.6	KY	22.9
IA	182.7	TX	17.1	AL	39.3	MS	133.4	NE	33.3	TN	21.2
MO	155.1	VA	12.6	AK/HI	12.1	TX	44.7	ID	31.8	Total ⁴	338.7
UT	131.6	GA	10.6	MidAtl.	11.8	LA	16.2	CA	15.8	Cotton Ginning	
N.Eng.	120.8	OK	1.5	CA	1.4	MN	3.3	MT	15.5	TX	242.0
CO	53.6	AL	0.5	MN	1.1	MO	0.2	WA	9.5	CA	72.7
WI	46.6	LA	0.3	LA	0.9			MN	2.8	AR	37.2
OH	44.9	NM	0.3					WY	1.1	AZ	26.1
MN	39.5	MO	0.1							TN	24.0
										LA	18.2
Total 14 ³	1,353.3	Total	1,568.8	Total	215.0	Total	935.5	Total	238.1	Total	475.7
Total 13'	726.9	Total 2013	1,336.9	Total 2013'	184.5	Total 2013'	1,732.4	Total 2013'	247.1	Total 2013'	459.1

¹ Other: Minnesota (\$2.3 billion) and Iowa (\$1.6 billion) were the top two states for "other" marketing which includes: forest products, hay, hops, seed marketed for growers, nursery stock, biofuels, coffee, and wool and mohair. Total for 2014 = \$8,052.7 and for 2013 = \$7,216.3.

² Source: Table 7 of SR 78, Agricultural Cooperative Statistics, 2014. See that table for more information on states or regions not listed here.

³ Totals are of all states and foreign, not just the co-ops listed, except for nuts, fish, rice, and bean and pea which are actual totals.

⁴ 2013 total for tobacco = \$136.9 million.

TABLE 3—Top States for co-op volume for farm supplies, 2014¹

All numbers in millions \$											
Crop Protectants		Feed		Fertilizer		Petroleum ²		Seed		Other ³	
IA	2,216.1	IA	2,224.9	IA	2,913.7	IL	4,112.6	IL	823.3	ND	610.5
IL	1,171.0	MN	1,567.8	IL	1,748.9	IA	2,918.6	IA	803.7	MN	467.3
NE	800.7	ID	703.5	NE	1,295.6	IN	2,823.3	MN	683.8	WI	432.9
MN	787.1	TX	694.5	MN	1,264.9	MO	2,774.9	SD	440.3	IA	358.5
SD	623.3	WI	637.8	WI	858.0	KS	2,294.4	WI	367.0	OR	299.3
WA	605.2	Mid Atl.	478.6	SD	835.5	ND	2,277.6	ND	331.3	WA	294.1
WI	513.3	IL	466.6	MO	721.3	MN	2,219.2	NE	298.0	TN	279.9
ND	475.3	NE	458.5	IN	640.6	NE	2,117.8	IN	275.3	IL	278.7
IN	389.9	OH	427.2	WA	626.9	WI	1,883.0	OH	244.7	CA	274.7
KS	363.0	CA	424.9	OH	614.8	OK	1,596.2	KS	216.6	TX	210.4
Total	11,530.4	Total	13,673.8	Total	16,251.0	Total	39,211.3	Total	5,790.8	Total	6,166.6
Total 13'	11,586.0	Total 13'	16,183.1	Total 13'	17,656.5	Total 13'	38,523.7	Total 13'	5,542.1	Total 13'	6,441.7

¹ Table 17 of SR 78 contains the data used for this table, see for more information on states or regions not listed.

² Includes all types of petroleum products and lubricants as well as bioenergy fuels such as ethanol and biodiesel.

³ Includes building materials, containers, packaging supplies, machinery and equipment, meats and groceries, automotive supplies, hardware, chicks, and miscellaneous.

Sprouting New Roots!

Grass Roots Farmers' Co-op helps beginning livestock and poultry farmers in Arkansas

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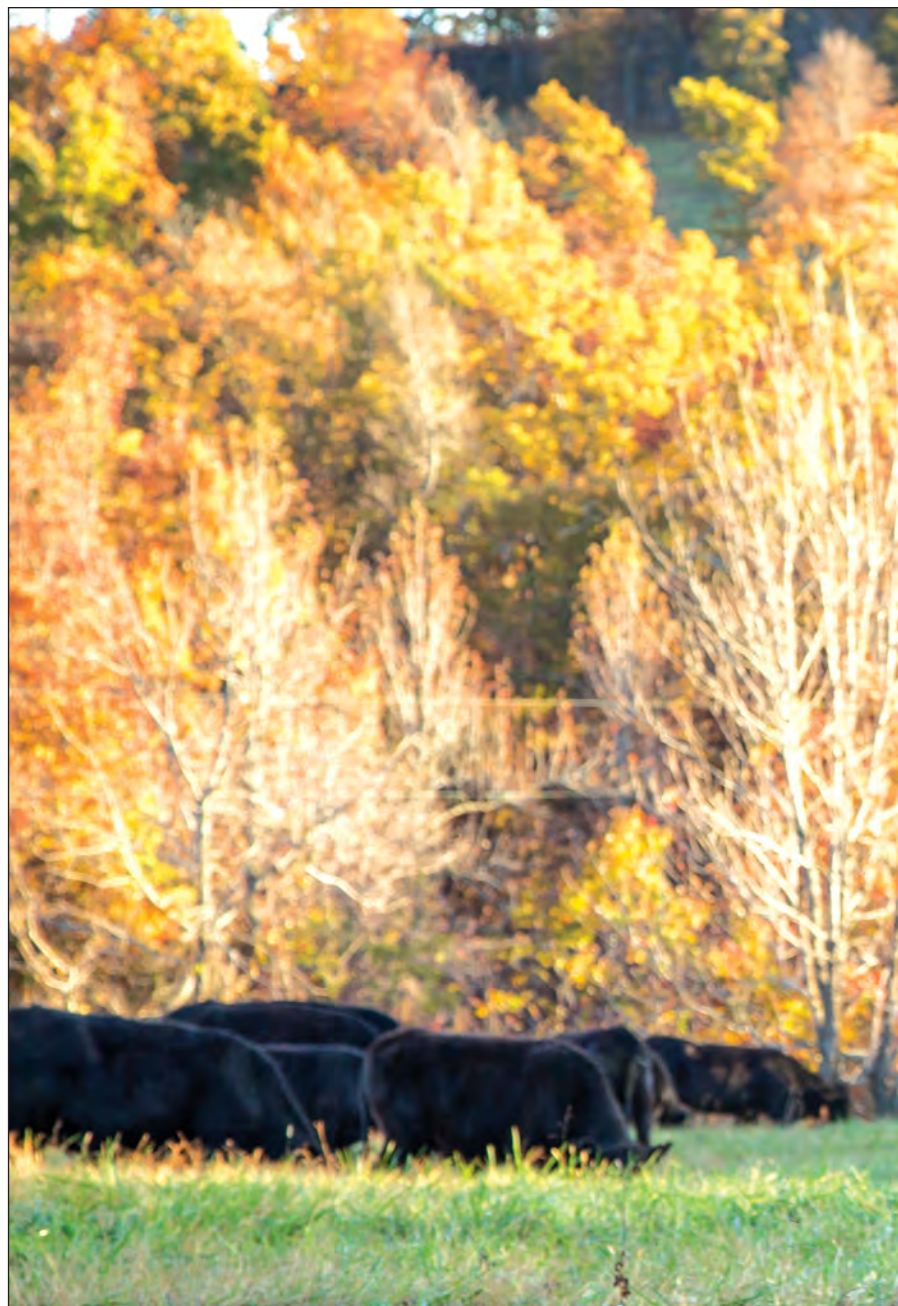


When Cody Hopkins and Andrea Todt launched Falling Sky Farm in the Ozark Mountains of north-central Arkansas, figuring out how to raise livestock and poultry

was not the hardest part of the job for the two novice farmers. Rather, it was the many other aspects of running a farm as a successful business that was “a very tough nut to crack,” Hopkins says.

There were a number of resources that helped them learn to raise grass-fed beef, pastured poultry and pork. The bigger challenge, Hopkins says, was “figuring out how to get your animals processed, finding cold storage, marketing and delivering to customers.” Doing all of that while generating the cash flow needed to cover production costs, to live on and, hopefully, to save some money to eventually buy their land — that was the real trick, he confides.

Eventually, Hopkins and Todt joined with a small group of like-minded producers to open the door that has helped so many other farmers and





Producing pasture-raised beef on Falling Sky Farm involves a management system of intensive rotational grazing. Here, Andrea Todt is stringing electric-line fencing. Photo by Miranda Yelvington. Inset photo, opposite page: Who needs a stuffy conference room to hold a meeting when co-op members can convene on the grass under a beautiful Arkansas sky! Photo by Bryan Clifton. Photos courtesy Grass Roots Farmers Cooperative

“We were looking not only for a livelihood for ourselves, but hopefully to do something that would create some jobs for others.”

ranchers overcome similar obstacles: they formed a producer-owned co-op. It took about a year of talks and planning before the Grass Roots Farmers’ Cooperative was formally incorporated in April of 2014. This followed a number of years during which a small network of sustainable meat producers around the state had informally worked together.

“For a small producer on your own, it is hard to find the right partners in the value chain that can help get your products from farm to market,” Hopkins says. “Investing in walk-in freezers or refrigerated trailers is inefficient. We were friends with other farmers who we had been sharing ideas with for years. That led to talks about joint marketing, since we all were using the same sustainable ag production standards.”

Todt and Hopkins were both raised in Arkansas, and while they each had some experience raising animals in their youth, neither had ever farmed. Hopkins earned a college degree in physics and had taught school for a couple of years in the Northeast, but then decided to head back to Arkansas, and in 2007 he and Todt started Falling Sky Farm in Searcy County.

The county is very rural and per capita income there is well below average. Jobs are needed, Hopkins says, which is another goal of the co-op: to create jobs and generate income in rural areas that badly need an economic boost.

“We were looking not only for a livelihood for ourselves, but hopefully to do something that would create some jobs for others. Raising local foods is one way for more people to make a living where there are not always a lot of other options.”



Co-op members raise poultry in portable structures they call “prairie schooners,” which are moved to a different plot daily. The “schooners” are often towed onto a paddock right after beef cattle have grazed it. Photos by Bryan Clifton



Informal cooperation leads to co-op

During the pre-co-op years, farmers would gain economies of scale by jointly buying bulk loads of genetically modified organisms (GMO)-free feed, or would aggregate enough animals to

fill a big order. “Together, to get the best price, we could buy 15 tons of feed. Or maybe one of us would have 100 turkeys ready to market, but would need another 100 birds to fill an order. We all benefited from working together in these ways,” Hopkins recalls.

Forming the co-op was a natural outgrowth of such activities.

The Grass Roots Farmers’ Cooperative currently has 14 members, which includes seven full members and seven apprentice members. Apprentice members do a one-year trial, during which time the co-op provides support in a number of ways, such as ordering feed and with the logistics of hauling animals to the processor. If they complete the first year successfully and still want to be in the co-op, the board votes on whether to admit them as full, voting members.

Hopkins, the co-op’s general manager, says he expects that all the current apprentice farmers will be approved as full members. “There is no big buy-in required to join the co-op,” he says. Just a token fee of \$10 is paid for a share in the co-op, which is governed by a five-member board.

All the members meet the USDA “beginning farmer” standard, Hopkins says, meaning they have been farming less than 10 years, although Hopkins and Todt are just about to mark their 10th year as farmers.

Sustainable production standards

For this co-op, “sustainable” means humane, environmentally benign or beneficial farming practices are followed. No growth hormones or antibiotics are used for the animals or

any feed used.

“We sat down together to come up with the best production standards,” says Jeremy Prater, the co-op board chairman. “We were not interested in setting average standards — ones that any farmer could meet. Rather, we wanted to set the best standards. Every member has been brought up to these standards so that we can ensure product consistency across the state.

“Wherever our customers are,” Prater continues, “they will experience the best in what Arkansas farmers can produce. The co-op allows us to reach out to more people.”

Beef cattle are 100 percent pasture raised. Poultry (chickens and turkeys) are also pasture raised using mobile structures (which the co-op helped to design) called “prairie schooners.” These rolling poultry houses are moved to a new location every day, allowing the birds to get out in the grass and spend the day scratching and pecking. Their diet is supplemented by GMO-free feed. About 500 chickens go into each “schooner.” Turkeys are raised in a similar way.

Hogs are usually raised in the forest, where they eat acorns and hickory nuts, a variety of berries or other wild fruits and anything else a hog can root up. Their diet is also supplemented with GMO-free feeds.

“Producing pasture-raised meat takes a different management style, based on very intensive rotational grazing,” Hopkins says. Farmers improve their pastures by planting winter and summer cover crops, such as rye grass. Raising livestock this way is good for the health of the animals while also improving the quality of the soil and grass, co-op members say.

“On any given day, 95 percent of our farm is resting,” Hopkins explains. “The other 5 percent is a place of heavy activity. The next day, we’ll have moved on to another 5 percent of the land. If we are grazing cattle, the rest period is more like 30 to 65 days, depending on the time of year. With pigs, we allow 4

to 6 months for the forest land to rest.”

Some members currently only produce poultry, but most plan to expand to hogs in the near future, and then to add cattle, depending on how much, and what type, of land they have.

Meats are processed at USDA-inspected plants in west Arkansas or southern Missouri. The co-op leases freezer space from where it does its own “pick and pack” distribution. It leases a delivery truck.

Poultry is produced seasonally, from

early April through about Thanksgiving. The co-op stores enough chicken during the fall to supply customers throughout the winter.

Falling Sky is the largest farm in the co-op, at about 220 acres, farmed on a long-term lease. Average farm size for a member is closer to 40 to 50 acres. Last year, the farm produced 15,000 chickens, 500 turkeys, 40 head of beef and about 250 hogs.

The co-op’s goal — which it is very near achieving — is to market about 60

USDA, Heifer International provide key help

Grass Roots Farmers’ Cooperative has received valuable financial and technical assistance, especially from Heifer International USA and USDA, says Cody Hopkins, the co-op general manager. Heifer International, which is headquartered in Arkansas, is probably best known for its efforts to help subsistence-level farmers overseas get started in livestock production by providing them with seed-stock animals on which to build herds. But the organization also has a domestic program — Heifer USA — that provides technical assistance to beginning farmers and ranchers.

Heifer USA’s technical support for the co-op included mentorship, marketing strategy development and legal help for incorporating the co-op, as well as some working capital. It also invested in a community development financial institution (CDFI) “which is essentially a local bank with a strong social mission,” Hopkins says, “It created a loan-loss reserve to help small farmers — who might not normally have good access to credit — to scale-up their farms.”

USDA Rural Development has provided the co-op with two Value-Added Producer Grants (VAPGs). The first was used to fund the co-op’s feasibility study, the second for working capital needed for the launch. The USDA Natural Resources Conservation Service helped the co-op on a fencing project.

The funds have helped the co-op create an informative website that features a short video about the co-op. The website also has snapshots and short bios of every member. “The website (www.grassrootscoop.com) has been very well received and has aided in our marketing efforts by telling the story of a how group of small farmers is working together.”

For more information on the VAPG program, visit:

www.rd.usda.gov/programs-services/value-added-producer-grants.

In many respects, Hopkins says the co-op can be looked upon as a type of food hub that helps knock down barriers faced by new producers.

“The beauty of it all is that there is a great market right now for what we are producing,” he says. “If there wasn’t, I wouldn’t be talking to you right now. More people want to know where their food is coming from and how it was produced, and we are happy to tell them.”

percent of its food directly to consumers via its subscriber-based, home-delivery program. The other 40 percent is sold to restaurants and institutional food service (including colleges and hospitals). It also sells meat to an online beef retailer in Missouri.

Co-op bolsters apprentice farmers

The co-op membership is quite diverse, including three military veterans, immigrant families from Africa and Costa Rica and two woman-run farms.

Among the apprentice co-op members who will soon be transitioning to full membership are Damon and Jana Helton. They are also new to farming — “we’re both city kids,” says Damon. He’s a military veteran who was previously working a corporate sales job and “traveling the country, living out of a suitcase.” Not the way he wanted to live the rest of his life or to raise his children.

A country lifestyle appealed to both Jana and him, and they became intrigued by the burgeoning local/sustainable farming movement. “Both of us were passionate about wanting to try our hands at agriculture and to raise our children in a healthy, rural environment,” he says. So, three years ago, they bought a 160-acre farm in the Ouachita Mountains of western Arkansas, about 20 miles from both Hot Springs and Little Rock.

The Heltons were still studying what crops to grow when they heard about the new meat co-op and its sustainable production philosophy and broader economic mission. They applied for membership, and they say the co-op has proved to be invaluable to them.

They currently raise pastured poultry and grass-fed beef. “We only do steers at this time, so we don’t have to worry about a breeding program or handling bulls,” Damon says. They plan to add hogs to the farm next year.

To move cattle from one paddock to

another, they use retractable electric-line fencing. “It’s effective and inexpensive,” Damon says. Once the cattle have grazed a paddock and moved on, a “prairie schooner” with chickens is towed in. “They eat the bugs and fly larvae, and the chicken and cattle manure fertilizes the grass.”

“The move to the farm has been a complete change of pace for us, and it so rewarding to see the fruits of your labor when you farm,” says Jana, who also has a fulltime job as the financial director for three gastroenterology medical clinics that operate as GastroArkansas.

“It’s one thing to have an idea, but quite another to initiate it,” says Jana. The co-op has provided the help they needed. “Co-op members are so generous in sharing ideas and their experiences.”

As if farming, working her medical job and being a fulltime mom to four children (ages 1-9) weren’t enough, the family also just opened an old-fashioned general store in the small community of Crows Station. The store focuses on selling Arkansas-produced foods and products. The meat cooler — no surprise — features a good selection of Grass Roots Farmers Co-op beef, poultry and pork.

“The storefront has a long history in the community but had been closed for several years, so people were really glad to see it reopen,” Jana says. “The store and farm work great together in helping to educate the community about local foods.

“We’re located just about five miles from a huge retirement community, where there is a lot of emphasis placed on healthy diets, including natural meat,” Jana continues. “That’s been a good source of business. Overall, the community response [to the store and the co-op products] has been incredible.”

Anchor farm program

The co-op hopes to grow by adding four or five new members each year.

One way it will strive to do this is through an “anchor farm” program, which helps hired farmworkers transition to farm owners. Kerry Harrington had worked at Falling Sky Farm for four years and was interested in starting her own farm, so Hopkins and Todt helped her find some land not far away and start her own operation.

Harrington wound up being one of the founding members of the co-op. “It’s another part of creating a community of farmers who help each other out,” Hopkins says.

Co-op members are dispersed in three basic geographic clusters of the state: the Mississippi Delta region in the east; the Ozarks of north-central Arkansas and in the Arkansas River Valley in the west. Being that dispersed creates some challenges, but also advantages. For example, when one area gets slammed by bad weather, it may have less impact in another part of the state.

“We’re often 10 degrees cooler here [in the Ozarks] than in the Delta, so we can still produce chickens in August when it’s harder to do so there,” Hopkins says. In winter, the opposite is true. “We’re 10 degrees cooler and windy, so conditions are better for livestock in the Delta.”

On the other hand, the distances create more challenges when it comes to aggregating animals and product for shipping.

The co-op’s CSA (community supported ag) program gives consumers a number of enrollment levels that are delivered quarterly for a year. The co-op also offers monthly subscriptions for customers who want smaller, more frequent deliveries.

To expand the home delivery program, Hopkins says the co-op has recently partnered with Chef’s Shuttle, a business that delivers restaurant meals to homes in some cities. “We are always looking for ways to decrease barriers for people who want to try local, farm-raised meats.” ■

New poultry processing plant bolsters Virginia's small-scale producers

By James Matson, Dylan Timmerman and Caitlin Butler

Editor's note: All authors are with Matson Consulting in Aiken, S.C., which specializes in cooperative and small business development services.

Corwin Heatwole is on a mission to grow Virginia's organic poultry industry, based on a desire to produce healthy, local food and to help create jobs and economic activity in rural communities that need both.

A lifelong farmer, Heatwole grew up on a family dairy farm, but by age 14, he was already working for a large poultry-growing operation. At 19, he purchased his own poultry farm and was raising 26,000 birds under contract to Cargill. His business quickly expanded, and soon he had a contract to grow a vastly larger flock for Tysons.

As his commercial business boomed, Heatwole often found himself reflecting on his family's happiness and success farming on a much smaller scale. His family derived great satisfaction from running an independent dairy farm, where they were free to operate as they saw fit, without any corporate controls or contracts.

That type of independence is something most farmers cherish, and they often cite it as one of the main reasons they choose to farm. But that sense of independence is getting harder to find in today's industrialized poultry industry.

Heatwole also often thought about the fresh food his family farm produced, and contrasted that with the difficulty families in his own community often had in obtaining healthy, local foods.



Corwin Heatwole (center, facing camera) leads poultry producers on a tour of Shenandoah Processing's facility in Harrisonburg, Va., which caters service to organic and small-scale chicken producers.

Desire to help struggling farmers

He began having conversations with small-scale, local farmers who were struggling to keep their farms afloat, many of whom desperately needed assistance. Farmers were struggling to gain access to processing plants. For organic poultry growers, plant access was even more limited.

After collaborating with a close friend, Heatwole purchased a small flock of about 300 birds, which he raised organically to see how the process worked. Adopting organic practices allowed Heatwole to increase the value of his product, since organic birds in the area sell for about double the price of non-organic chicken.

Fueled by the desire to help his fellow farmers and the local community, Heatwole decided to start a poultry

processing facility that would focus on handling birds for organic and small-scale growers, helping them find an alternative to industrial-scale poultry production.

In 2013, Heatwole founded Shenandoah Processing LLC, which offers processing services to small-scale and organic chicken producers in the Harrisonburg, Va., area. These services include aggregating, processing and selling chickens to distribution chains.

Although not formally organized as a cooperative, Shenandoah works cooperatively with producers, consumers and the community to help small-scale, independent farmers earn a profit while providing their communities with healthy food and much-needed jobs.


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From Bars to Freedom



Prisoner co-ops boost employment, self-esteem and support re-entry into society

By Meegan Moriarty
USDA Cooperative Programs



Artists create, exhibit and sell their work through Cooperativa de Servicios ARIGOS in Puerto Rico.

At the Shifting Gears bike shop in Stevens Point, Wis., skilled mechanics tune-up, refurbish and sell pre-owned bicycles while educating the community on biking's beneficial impact on health and the environment.

At the Cooperativa Alice in Milan, Italy, women create costumes for television and theater, design clothing and make uniforms for the local football team.

Caterers and chefs feed customers at the Café Solberg in Gotenberg, Sweden.

These business organizations may be diverse, but they have a few things in common. All of them are cooperatives. And all of them benefit prisoners or ex-prisoners.

Prison populations

More than 2.2 million people in the United States are in prison. Worldwide, 9 million people are incarcerated. The United States has the highest prison rate in the world, with 724

people per 100,000 imprisoned. Another 600,000 are on probation or parole. In 2014, the cost to the taxpayer of incarcerating just one individual in federal prison was \$29,291.

Almost 3 percent of U.S. adults are under correctional supervision (in prison, on probation or on parole). Juvenile detention centers house 54,148 youth offenders. More than three-quarters of people released from jail are arrested again within five years. More than half of these recidivists are arrested within the first year of release.

A disproportionate number of incarcerated individuals are African American males (37 percent) or Hispanic males (22 percent); black females are imprisoned at twice the rate of white females.

Strict sentencing rules contribute to the high prison rate in the United States. For example, under current federal law, people found guilty of three drug offenses are given life in prison without parole. But these rules may change.

Sentencing reform is a priority of the Obama administration. The Sentencing Reform and Corrections Act (S. 2123), introduced by Sen. Charles Grassley (R-Iowa) and Sen. Richard Durbin (D-Ill.), was passed out of the Senate Judiciary Committee on Oct. 22. That legislation would reduce drug-related mandatory sentences significantly, reduce the wide gap in sentencing terms for powder vs. crack cocaine offenses, and provide credit toward sentence reduction for nonviolent offenders who undergo drug rehabilitation and/or take certain classes. The legislation would apply only for the 200,000 federal prisoners. However, states may follow suit, based on the concern that too many people are in prison for too long.

A reduction in years spent in prison would equate to more individuals re-entering society. A small number of these prisoners (about 13,000 in 2013) may have acquired job skills while in prison from UNICOR, the federal prison system's in-house employment

program. However, the vast majority of ex-prisoners lack job skills, education, self-confidence and social supports. Some face the additional challenges of mental illness and addiction.

"In addition to dehumanizing people who are incarcerated, we also totally take away all of their economic opportunities — their livelihoods," Jessica Gordon Nembhard, professor at John Jay College, City University of New York, said during an October roundtable. The event was sponsored by the Sustainable Economies Law

In 1991, Italy enacted law 381/91, which defined two types of social cooperatives: Type A and Type B. Type A cooperatives provide social services, including health care and education. Members are workers or volunteers who provide a variety of social services, including mental health and addiction services.

Type B cooperatives help to integrate disadvantaged people into the workforce, including individuals who are learning disabled, mentally ill, drug and alcohol addicts, prisoners and ex-



About 10 percent of prisoners in Italy participate in prisoner cooperatives, including co-ops that operate prison farms, such as this. Photo by Awakening/Getty Images

Center in Oakland, Calif.

How can these people face a difficult job market where many employers screen out ex-offenders? Italy may have an answer.

Italy's cooperative system

Italy has been a leader in forming cooperatives, starting in the 1970s, when the Italian economy was suffering a downturn and individuals needed an innovative solution to address high unemployment. The social cooperative movement gained momentum when caregivers were faced with the deinstitutionalization of psychiatric patients.

convicts. People are certified by public social service bodies as being "disadvantaged," and then referred to the Type B cooperative. Disadvantaged individuals must make up at least 30 percent of the B cooperative workers under Law 381/91.

Type B cooperative workers make handicraft items, work in manufacturing, do cleaning work, maintain parks and gardens, and engage in agricultural activities. Private-sector firms are obligated to employ disabled individuals, and many businesses fulfill this obligation by engaging B cooperatives.

Half of B cooperative income comes from public sources; B cooperatives get

preferential treatment in bidding for contracts with municipalities. Volunteers may not make up more than 50 percent of A or B cooperative members.

Italian cooperatives benefit from significant government support. They have lower corporate tax rates, their reserves are not taxed and they can opt to be exempted from value-added taxes. Cooperatives are obligated to contribute to a fund intended to help other cooperatives. These contributions are not taxed.

Further, cooperatives are not obligated to make pension and health contributions. Organizations make loans to cooperatives in Italy on preferential terms.

Italian prisoner cooperatives

About 10 percent of prisoners in Italy participate in prisoner cooperatives, according to Ann Hoyt, professor emeritus at the University of Wisconsin, Madison. Her research preliminarily has found that prisoner cooperatives are a cost-effective way of rehabilitating and transitioning prisoners back into society. Hoyt has traveled to Italy three times to study Italian prison cooperatives. During her visits, she observed a deep commitment on the part of Italians to the rehabilitation of the prisoners.

Generally, prisoners first complete time in Type A cooperatives, where they acquire work skills and get help from the professional members of the cooperative, according to Hoyt. They often benefit from the services of psychiatrists, psychologists and legal advisors.

Once they have acquired good work skills, prisoners may be chosen to work in Type B cooperatives, Hoyt says. These individuals get further vocational training and instruction on cooperative operations and membership.

Type B cooperatives operate in a variety of ways. Hoyt visited a Padua prison that operated a bakery, made high-end luggage and crafted shutters.



Inmates working for the Giotto Cooperative as bakers produce traditional panettone Christmas cake at the state maximum security jail in Padua. Photo by Awakening/Getty Images

An Italian cooperative of women prisoners made high-end cosmetics.

Hoyt says many prisons have “creative business developers who are nimble in changing from one [business] opportunity to another.” For example, a prisoner cooperative made mannequins until the demand for them dried up. The prison business developer switched gears and — working with the prisoners — started a call center, Hoyt says.

Cooperative workers also engage in carpentry, plumbing, ornamental iron work, hand-painting wallpaper, gardening, recycling, manufacturing garden and park furniture, making playground equipment and putting on theater productions. They also produce coffee, artisan beer, wine and cheese. Prisons may allow day-release for prisoners to work in cooperatives. Convicts with community-based

sentences, or who have been granted house arrest, may work in cooperatives.

All participants in the cooperatives receive the same wages for the same jobs, whether they are prisoners, ex-prisoners or workers who have never been convicted of a crime.

Membership in a co-op is highly desirable for prisoners, because it offers the opportunity to earn wages — a motivator to rehabilitate themselves, Hoyt says. A prison employee holds the wages for the worker, which can be used to help the prisoner’s family, to help the prisoner transition back into society after release or to purchase items to be used by the prisoner while in jail.

Prisoners engage in a variety of jobs, some of which involve dangerous equipment. Hoyt visited a maximum security prison for men with a

wholesale nursery cooperative. The prisoners used shovels, hoes, garden forks and farm vehicles. The woman who ran the cooperative told Hoyt that the prisoners use self-discipline to ensure compliance with safety rules. For example, after a new co-op member took a joy ride on a farming vehicle, his fellow prisoners ejected him from the cooperative.

Upon release, ex-offenders have a job and a social network. The recidivism rate for participants in Italian prisoner cooperatives is less than 5 percent (compared to 75 percent in the United States and 70 to 90 percent in traditional Italian prison systems).

Prisoner co-ops in other countries

Prisoner cooperatives are not limited to Italy. Several Swedish service organizations established Vagen ut!, a cooperative intended to benefit prisoners and individuals recovering from substance abuse. Even after government funding was withdrawn, Vagen Ut! was able to employ 100 workers. Other prisoner cooperatives in Sweden include the Villa Solberg Halfway House, which provides work and housing to male ex-convicts who are battling substance abuse, and Karins Dottar cooperative, formed to benefit female ex-convicts and/or former substance abusers.

Convicts at Ethiopia's Mekelle Prison have formed more than 20 cooperatives through which they perform various forms of work, including farming, carpentry, plumbing, electric work and handicrafts. An Ethiopian banking institution provides loans to prisoners to start cooperatives, and the loans are guaranteed by the prison. Prisoners use wages for restitution to victims and to invest back into the cooperatives.

The United Kingdom has several cooperatives that employ ex-convicts. The Ex-cell program provides housing and employment to former prisoners and homeless people and helps to

transition them to employment and housing in the broader marketplace.

Ex-prisoners receive mental health and substance abuse services. Their recidivism rate is less than 2 percent, compared to a 40-percent rate for typical ex-offenders. Another ex-prisoner cooperative, Recycle It!, performs computer recycling and data-wiping services. Prisoners may become members of the UK's Cooperative Bank, which provides them with financial counseling and allows them to open bank accounts.

Prisoners and ex-convicts in British Columbia, Canada, who participated in a prisoner cooperative called InsideArt, created and sold paintings, glass artwork and carvings. Cooperative members used the proceeds to make restitution to victims, help with transitioning after incarceration, support prisoners' families and to fund local charities. The cooperative was started with a \$100,000 grant, and although sales proceeds covered some expenses, it folded when grant funding dried up.

U.S. prisoner co-ops

A few prisoner cooperatives have been established in the United States. Shifting Gears, a community bicycle shop in Wisconsin, is an "offender re-entry program" created to provide ex-prisoners, at-risk youth and other disadvantaged people with work and life skills. It does this while promoting cycling as a healthy, environmentally friendly form of transportation. Co-op members work with volunteers in a safe, drug-free environment where they learn to repair, clean and recycle donated or used bicycles for resale.

Lori Yach is a volunteer at Shifting Gears who is pursuing a degree in trauma-informed care, a treatment philosophy used by some social service agencies and counselors in jails and schools that focuses on what has happened to a person in the past, in the hope of avoiding a reoccurrence of trauma. She says the co-op is working

with local prisons to initiate a day-release program to help prisoners working at Shifting Gears experience a smooth transition from jail back into society.

"It's good to have a safe place to hang out and be around positive people," Yach says. People often come out of jail and return to their old acquaintances and patterns. "People may not have any family to support them, or, even if they do, their family might be abusive or using [drugs]," she says, adding that a high percentage of inmates have dealt with some kind of abuse.

Funding is always an issue, according to Yach. While the store makes enough to pay the bills and rent, it does not make much more. She may look into applying for foundation grants. Shifting Gears was created by Justiceworks Ltd., a nonprofit organization that promotes restorative justice. The people at Justiceworks started the cooperative after reading Hoyt's research on Italian prisoner cooperatives.

Yach gets great satisfaction from volunteering at Shifting Gears. When she works with disadvantaged youth, who often suffer from low self-esteem, "you make a difference — you can see in their eyes, they feel worth something."

Recently two boys broke into the shop and stole some money. Yach says they will now be volunteering at Shifting Gears. She sees the opportunity to work with them as an exciting chance to help the boys grow.

Transformational cooperativism

In 1995, 19-year-old Roberto Luis Rodriguez Rosario was locked in prison with sentences that, served consecutively, he expected would keep him in jail for 35 years. Rodriguez made good use of his time in Guayama Penitentiary in Puerto Rico. He and several other prisoners founded Cooperativa de Servicios ARIGOS. The cooperative, made up of all prisoners — both as members and the board of

directors — operates entirely inside the prison, with the assistance of an outside cooperative expert, Lymarie Nieves Plaza.

The cooperative started as a group of prisoners doing art as therapy and to make gifts for their families. Proud of their work, the prisoners reached out to a cooperative, Liga De Cooperativa y Fomento Cooperativo, for information on how to sell to the public. However, the General Law of Puerto Rico Cooperatives Societies prohibits

Rodriguez. Participation in the cooperative became a motivator for those overcoming addiction, because the cooperative would not let addicted members attend the outside exhibits. According to Rodriguez, “my biggest satisfaction at the end of the day was knowing that I was working toward the service of others.” In addition to becoming an advocate inside the prison for the prison cooperative, Rodriguez served as secretary of the cooperative for several years, gained release to a

television show. He was freed in 2014. Rodriguez wrote a book about his experiences, “Corazon Libre, Cuerpo Confinado.” He also maintains a Facebook page that addresses his experiences. He still works with Nieves to reform legal obstacles to forming prisoner and ex-prisoner cooperatives. For example, he hopes to change the Puerto Rican law that prohibits ex-prisoners from fraternizing. Currently, the law is an obstacle to his goal of forming a cooperative to help ex-

“I never imagined that working in a cooperative, I would find the ideal model to rehabilitate myself.”

prisoners from forming cooperatives. Rodriguez, his fellow prisoners and Nieves lobbied the Puerto Rican Senate and wrote to Governor Sila Maria Carderon. “To our surprise, the first [person] to believe in us was the governor,” Rodriguez said through a Spanish interpreter at an October roundtable sponsored by the Sustainable Economies Law Center in Oakland, Calif. “She made a promise to change the laws so we could organize,” he continued. In 2003, the law was amended to allow prisoners to form cooperative businesses.

Creating art and selling it to the community with the help of outside cooperatives was transformative for the members of the ARIGOS Cooperative. “I never imagined that working in a cooperative, I would find the ideal model to rehabilitate myself,” Rodriguez said during the roundtable. He and the other members had the opportunity to attend outside cooperative-organized exhibits accompanied by guards.

They chose to share their experience with other prisoners. “Within the cooperative, we all agreed to take on the task, to put in simple words everything we ourselves had experienced, and to share it with the incarcerated population,” said



Roberto Luis Rodriguez Rosario was just 19 when he was incarcerated in Puerto Rico to begin serving a 35-year sentence. While in jail, he and several other prisoners formed the Cooperativa de Sericios ARIGOS, which began by producing handcrafted gift items for members' families, and later for sale to the public, with the help of another co-op.

transitional program and then achieved probation.

Early release came as a surprise to Rodriguez, who had stopped thinking about his freedom. “The solution to all the social ills that we have today is [in working cooperatively], and the evidence is that if you could rehabilitate a delinquent person, you can do anything that is to the service of . . . society,” Rodriguez said.

During the five-year transition, Rodriguez served as a journalist for a cooperative and as an editor for a reality

convicts gain employment and transition back into society. Rodriguez advocates for cooperatives at conferences and other venues.

Nieves found her life's work when she helped form Rodriguez's cooperative. She calls it “transformational cooperatism.” In addition to working with the men at Guayama Penitentiary, Nieves has helped form several other prisoner cooperatives in both men's and women's penitentiaries.

Framework for successful prisoner co-ops

Italy has successful cooperatives, to a large degree, because the Italians support them. Law 381/91 provides a comprehensive framework for their organization. Cooperatives enjoy lower tax rates, exemptions from pension and health contributions, and preferential loan terms.

These co-ops also get preferential treatment for government contract awards. Private employers are required to employ disabled people.

“It's critical to have functional businesses” for a prisoner cooperative to succeed, Hoyt says. The cooperative also succeeds if it has a combination of members, including current and ex-

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Utility Co-op Connection

Middle Georgia EMC

Vienna, Ga.

Editor's note: Malik Grace, a University of Georgia student who interned at USDA Co-op Programs last summer, conducted this interview with Randy Crenshaw of Middle Georgia EMC (electric membership cooperative), Grace's hometown electric co-op, which also sponsored him on a youth tour trip to Washington D.C.

Question: What is Middle Georgia EMC's primary mission, and who comprises your membership? How is your customer base divided among residential and commercial accounts?

Randy Crenshaw: Our mission is to provide electric service to an estimated 8,000 customers. We serve about 5,300 residential accounts and about 2,700 industrial accounts. Of those, seven are large-load industrial accounts while about 1,055 serve irrigation systems.

Q: Please provide a brief "thumbnail history" of the co-op — how and why was Middle Georgia EMC created?

A: Middle Georgia EMC was formed in 1940 to service rural customers, primarily Dooly, Pulaski and Wilcox Counties, that were unserved by Georgia Power and other surrounding EMCs. We've been a local power cooperative for 75 years and are proud to be owned by those we serve. Our business is about much more than power. It's about exceptional service and commitment to community. Middle Georgia EMC has worked hard to provide quality products and services at affordable prices for 75 years.

Q: Are there any new or innovative services being offered to members?

A: We allow members to purchase power by pre-paying in order to not have a large deposit. We allow many ways to pay bills such as phone apps, Internet payments and money machines.

Q: Many rural communities are struggling economically. Is this an issue for communities in your service area, and is the co-op doing anything to promote community economic development, beyond its basic utility service?

A: We work with all local chambers of commerce, economic development groups and state economic development groups, such as Georgia Department of Economic Development and Georgia EMC.

Q: How do you make members feel like true user-owners of the business, rather than just customers of it?



A: By using newsletter articles, having annual meetings, using focus groups and having employees always treat members as the owner.

Q: Why is a utility co-op a good business model for rural people to be a part of?

A: It provides grass-root member participation in the day-to-day operation. It allows the savings to be given back to the member in either lower rates or capital credits.

Q: Do you face competition for members, or have any plans to expand your service area? Do you market your "co-op difference"?

A: We compete for large consumers who have loads larger than 900 kilowatts. We do not have plans to expand our territory. We have partnered with Irwin EMC to have joint management since 2010.

Q: Is the co-op involved in "green-power," such as solar or wind? What do you do to promote power conservation among members?

A: We are a member of Green Power EMC, which provides landfill gas electricity, bio-mass plants, solar energy and chicken litter plants. The pre-pay program promotes conservation. We also promote energy conservation with newspaper, newsletter and TV ads. Middle Georgia EMC will be installing a 1-megawatt community solar project in 2016. Members will be able to purchase fixed energy blocks of solar power that will be credited to their monthly bill. The project will provide an alternative to members who would like to access solar power, but can't, or don't want to, install solar units on their roofs.

Q: How do you recruit, elect and train board members? Does the board meet monthly?

A: We nominate, from the local communities, directors who have the cooperative business at heart. If they demonstrated loyalty and positive interest in the co-op, they will make good board members. The members elect on a 3-year term, and they meet on a monthly basis. ■

Safety in Numbers

Food safety certification hurdles can be lowered through use of USDA's GroupGAP program

By Charles W. Parrott
Specialty Crops Program Deputy
Administrator
USDA Agricultural Marketing
Service



Food safety is on the minds of everyone in the produce industry, and ensuring that consumers have access to a safe supply of fresh fruits and vegetables is a top priority. Concern over outbreaks of foodborne illnesses associated with both domestic and imported produce has sparked new rules under the Food Safety Modernization Act (FSMA).

As customers look for local food in grocery stores, restaurants and schools, more retailers are requiring food safety certifications. Obtaining these certifications remains a barrier for many small- and mid-sized farmers who want to participate in these markets. America's cooperatives are in a unique position to help these producers.

Since 2003, USDA's Agricultural Marketing Service (AMS) has offered growers and buyers voluntary Good Agricultural Practices (GAP) and Good Handling Practices (GHP) audit programs. These audits are performed through the Specialty Crops Inspection Division. These programs verify that grower operations follow industry-recognized food safety practices and recommendations from the U.S. Food and Drug Administration (FDA).

However, some small- and mid-sized producers, food hubs and cooperatives found the marketing advantages these programs offer were not obtainable for their operations, primarily because the certification costs and other resources



Southwest Farm Fresh Cooperative produce is loaded for transport to market. Co-ops can help their members attain food safety certification through the GroupGAP program, offered through USDA's Agricultural Marketing Service. Photos courtesy Wallace Center at Winrock International

necessary for a single producer to comply with the GAP requirements were too much of a barrier.

GroupGAP role for co-ops

Agricultural co-ops are an important outlet for produce and other farm products. They provide small farmers and others the opportunity to join forces and sell to larger markets in order to share increased profits and benefits. Now, co-ops can help their members join together to certify their products through USDA's GroupGAP services. Expanding the number of GAP-certified farmers also may help retailers meet an increasing demand for locally sourced food.

In 2010, several produce growers and organizations approached USDA to discuss developing a more cost-effective, manageable on-farm food safety verification program to aid smaller producers. To find solutions to this challenge, AMS partnered with the nonprofit Wallace Center at Winrock International to develop and test a GroupGAP pilot program to help smaller growers and

cooperatives meet buyers' on-farm food safety requirements.

In the GroupGAP model, farmers can unite under a central quality management system and undergo a system audit that leads to a group certification. Group certification allows members of the group to share resources and leverage economies of scale. For example, groups can offer employee training for all members of the group at once rather than each individual producer training his/her own employees.

Program to launch in April

After three years of field testing the new audit program,

AMS will officially launch GroupGAP in April 2016, when small produce farmers and other operations will be eligible to apply for certification. GroupGAP food safety certification will increase opportunities for the entire industry to supply and purchase GAP-certified produce.

This voluntary, fee-for-service auditing program may help smaller producers and co-ops meet increasing consumer

GroupGAP enables small- and mid-sized farmers, co-ops and food hubs to share certification costs, improve quality management systems and reduce paperwork.

demand for local food while maintaining strong food safety standards. It will also demonstrate that small- and mid-sized farmers, co-ops and food hubs can meet retailer food safety requirements for institutional and retailer purchasing programs. Members of the agricultural community, through this cooperative group system, can take advantage of the shared certification costs, improve quality management systems and increase overall food safety.

Ultimately, GroupGAP increases on-farm visits by trained and certified auditors, increasing oversight of grower's practices.

The three-year pilot program included 22 projects that helped groups of growers and cooperatives work together to obtain GroupGAP certification. Food hubs and other grower groups pooled their resources to establish food safety best practices, conduct food safety trainings, develop quality management systems and pay for certification costs.

GroupGAP works for Amish co-op

Sunny Harvest is an Amish farmers' cooperative in Lancaster County, Pa., that participated in the GroupGAP pilot program. The co-op is comprised of 16 diversified produce growers who sell to local retailers and distributors.

By working closely with Sunny Harvest leaders, the GroupGAP pilot team developed an implementation plan that enabled the growers to receive GAP certification without compromising the cultural traditions of the

Amish community.

The pilot clearly laid the groundwork for a sustainable culture of food safety by focusing on coaching and internal auditing to deepen the co-op members' understanding of food safety best practices.

Helps beginning farmers expand markets

The Agriculture and Land-Based Training Association (ALBA), a nonprofit in Salinas, Calif., also participated in the GroupGAP pilot. ALBA provides farm business training and opportunities to farm workers and limited-resource, aspiring farmers in Monterey County. Members of ALBA's Small Farm Incubator Program sell their produce through the organization's food hub, ALBA Organics, focusing on expanding sales to large retailers and colleges.

During the pilot, ALBA identified the food safety standard best suited to the needs of their buyers. Members also worked together to develop relevant safety practices, collect required documentation and provide their own internal auditing services. This ultimately improved product traceability and allowed for faster corrective actions.

PMA conference examines GroupGAP

AMS recently presented the details of the GroupGAP program at the 2015 Produce Marketing Association (PMA) Fresh Summit meeting in Atlanta, Ga. During the meeting, USDA Under Secretary for Marketing and Regulatory Programs Ed Avalos led two listening sessions where representatives of the Wallace Center and GroupGAP pilot participants explained the pilot project and outlined the benefits of this new program for the industry.

The bottom line: the GroupGAP Program can provide a robust certification process that builds a culture of food safety and allows producers to leverage resources. The program also could increase the total number of growers in the supply chain who are GAP-certified, a win for industry and American consumers.

GroupGAP is an innovative solution that enables small- and mid-sized farmers, co-ops and food hubs to share certification costs, improve quality management systems and reduce paperwork. It allows USDA to help producers reach "food safety by the numbers."

Visit the AMS website at www.ams.usda.gov/groupgap to learn more about GroupGAP certification and upcoming events as USDA prepares for the official launch. ■

Co-ops & Community

Ready for the Call: Missouri electric co-op member and her canine search-and-rescue teams help in times of need

By Heather Berry

Editor's note: Berry is associate editor of Rural Missouri Magazine, the statewide member publication of the Missouri Association of Electric Cooperatives. This article is slightly adapted from one that appeared in the September, 2015, issue of that publication. If you know of a co-op, a co-op employee or member who is helping to make their community a better place to live, please send a note to: coopinfo@wdc.usda.gov.



She doesn't complain about the weather or the fact that she gets paid in kibble. She never asks for time off.

She simply works like a dog — because she is one.

Daisy May, a black Labrador/border collie mix, is one of Lynn Ballard's two certified search-and-rescue dogs. The trainer, from Fulton, Mo., and her four-footed partners are members of Missouri's official urban search-and-rescue group: Task Force 1.

For more than 20 years, Ballard has worked canines to heed the call in times of need. She read an article one day that got her interested in training dogs for search-and-rescue purposes.

"I worked at a press as a proofreader, and they printed a variety of dog and veterinary magazines. That's where I came across articles about people who did search and rescue with dogs," says the Callaway Electric Cooperative member.

Immediately intrigued, Ballard and a friend found a group called Missouri Canines and began training with them.

"Honestly, I was addicted from the start," says the 43-year-old. "Getting to



spend time with your dog while hanging out with friends was a lot of fun."

While with the Versailles, Mo.-based group, Ballard and her dogs did wilderness work, searching for lost or missing individuals and runaways. After several years, she joined the Missouri Region C Technical Rescue Team's canine division, based in St. Louis. The team primarily worked with the FBI on evidence recovery in cold cases. "That's where I got into cadaver work," Ballard adds.

For the past six years, Ballard's been part of Missouri's Task Force 1 as a member of the canine search-and-rescue team. A Federal Emergency Management Agency (FEMA) partner, the team works through the Boone County Fire Protection District and trains at facilities in Columbia, Mo.

Finding the right partner

On average, canine search-and-rescue training takes two to four years, depending upon a dog's age, ability and skills. It takes a dog that's smart,

trainable and easily rewarded with a toy. And you don't need to buy an expensive purebred to have a search-and-rescue canine.

"If your dog can be trained to take a command, fetch the toy for you, it's a good start," Ballard says. "But if your dog runs to fetch the toy, gets distracted by a dog walking past or a bird flying overhead and stops, it may or may not work.

"Searching is really a game of hide-and-seek for the dogs," adds the trainer. "Getting them to hunt for something is as much a mental game as it is a physical one. When they find the target, they're happy, but what they really want is a reward from you, their owner. That usually means a toy and some roughhousing with them. They just want to know they did well and you're proud of them."

In order to be certified for search and rescue, the dogs must pass numerous trials, such as directability, control, agility and bark alerts. Some of these tests, such as scent testing, are

As part of a training exercise, Lynn Ballard's rescue dog, Daisy May, works to find a victim buried in debris. The structurally engineered rubble simulates situations rescue dogs may work in following a disaster. Opposite page: Lynn Ballard, second from right, and other Missouri Task Force 1 members confer during a rescue exercise. Photos by Heather Berry, courtesy Rural Missouri



held out of state. Dogs and trainers must be recertified every three years to remain deployable.

But passing the tests doesn't mean the work is over. Trainers must drill daily and be able to prove their dogs' abilities at any time.

Passing or failing means the canine and the trainer pass or fail together because the two are a team. Both must be able to go into a situation and ignore distractions.

"There are days I come home from my job and don't feel like working the dogs," says Ballard, who works at the Dollar General distribution warehouse in Fulton, Mo. "But I do. The dogs are dedicated, so I need to be, too.

"My first search dog was a German shepherd named Zema, but she didn't work out," Ballard says. "When a dog doesn't make the cut, they go on to become a pet for someone else or the owner keeps them. Personally, I keep them, because I view it as my dog and my responsibility. I love them as much as the others."

The trainer's first certified dog was her husband's Doberman pinscher, Gillis. The dog was wilderness and cadaver trained but died at age 6 from an enlarged heart. Ballard has had other four-footed partners — a German Shepherd named Tyler, a Belgian malinois named Ali, and a Labrador, Max, to name a few. Currently, Lynn's certified teammates are Daisy May, trained for live finds, and Toby, a 4-year-old Dutch shepherd trained to find human remains.

The nose knows

Missouri's Task Force 1 is broken into teams — red, white and blue — and those teams train together quarterly to be ready for any call.

On one recent Saturday, with the temperatures hovering around 100 degrees, team members donned all their gear and headed to a training site in Boone County they call "the pile," a strategically engineered mountain of wreckage which, to the casual eye, looks a lot like an entire city block has fallen

down. Rusted metal pipes poke up from chunks of broken concrete, and vehicles are overturned. Today, the team practices as if a tornado has hit a town.

Well in advance of the canine team arriving, Lee Turner, fire district lieutenant and information technician for the department, is hidden in a crevasse under a massive pyramid of concrete. Once the team is briefed, everyone takes their posts. Ballard and Daisy are up first, and Daisy must sniff Lee out.

Up and down, over and under, the dog runs, stopping briefly to sniff the air. After only minutes, Daisy starts barking rapidly, alerting Ballard and the rescue team that a person has been found alive in the debris.

"The dogs are an important part of our team's success," says Matthew Schofield, Missouri Task Force 1 leader and Jefferson City's fire chief. "If we're going to be serious about finding people in rubble, a canine unit must be part of that solution.

"Their ability to identify so many scents and quickly process one specific smell out of all the others is something we'll never fully appreciate," he says.

Ready for the call

Of the many calls to which Ballard and her dogs have responded since 1994, some stick out more than others — the abduction of an east-central Missouri boy, the EF-5 tornado in May 2011 that nearly wiped Joplin off the map, the call in October 2012 for Hurricane Sandy in New York and the September 2013 flooding in Colorado.

"Unless we're on a federal deployment, we're not usually reimbursed for expenses," says Ballard, "but none of us do this for the money. Like the dogs, we want a good outcome, to help those who need help. That's our reward."

For information about the Missouri Task Force 1 canine search-and-rescue team, contact Doug Westhoff, assistant chief for the Boone County Fire Protection District, at 573-447-5000. ■

Expertise to Share

ATTRA resources offer valuable assistance to sustainable producers, cooperatives



Andy Pressman (far right), a sustainable agriculture specialist with NCAT, talks about appropriate tools for small, sustainable farms at an “Armed to Farm” workshop in Houghton, N.Y. Photos courtesy ATTRA

By Rich Myers, Editor
National Center for Appropriate
Technology



For many small-scale poultry producers around the country, the lack of appropriately scaled processing facilities can be a serious barrier to entering a market.

When Kevin Ellis —a poultry specialist with the National Center for Appropriate Technology (NCAT), who works with NCAT’s ATTRA (Appropriate Technology Transfer for Rural Areas) program — began working with producers in Iowa, that obstacle was immediately clear.

“Everyone I talked to agreed that the lack of small- or medium-sized slaughter facilities was a huge hole in the local food systems,” Ellis says. “However, demand in the neighboring

Omaha market is strong for local, pastured poultry.”

The effort isn’t completed yet, but producers in the area have begun to work on forming a cooperative that would allow members to aggregate their product, process their poultry, secure federal inspection and transport products to local markets.

Ellis is taking part in that effort. “My hope is that a cooperative business model will allow for operations that can be sustainable and serve the needs of local farmers for years to come.”

ATTRA’s role

ATTRA has plenty of such long-term experience under its belt — more than a quarter century of assisting low-input, sustainable and organic production in the United States.

ATTRA’s work with cooperatives is just one aspect of the prominent role it has developed in sustainable agriculture.

It has been a pioneer in the field, providing information and research services to American farmers, ranchers, educators, Extension personnel and others involved in commercial agriculture.

In recent years, ATTRA also has offered expertise on marketing crops in the regions where they’re grown, including working on farm-to-school and farm-to-institution initiatives that have involved agriculture marketing cooperatives in Montana and other states.

NCAT, a nonprofit with offices in six states, operates ATTRA through an agreement with the USDA Rural Business-Cooperative Service.

How ATTRA works

NCAT employs specialists in agronomy, horticulture, animal science and health, soils, water, food systems, agricultural energy, marketing and economics. The specialists are the backbone of ATTRA.

They research the latest developments in sustainable agriculture — including leading-edge research and practical innovations from America’s most creative farmers and ranchers. Most ATTRA staff are farmers, ranchers or market gardeners themselves who bring years of practical experience to the table.

That research and knowledge makes its way into the resources offered by ATTRA, including hundreds of publications on sustainable agriculture, along with a growing number of webinars and videos. It also provides resources for veterans interested in agriculture; databases (including a popular site where students can find internships and producers can find interns); online tutorials and the long-running “Ask an Ag Expert” hotline.

Topics these resources cover include horticultural crops, field crops, soils and composts, pest management, irrigation and other water-quality and water conservation-issues. Others address grass farming, marketing and business

strategies, market gardening, risk management and agricultural energy.

ATTRA's print publications can be ordered by mail and are also available as PDF or HTML documents from ATTRA's website. The website is both desktop and mobile friendly. ATTRA

research. Finding answers for clients makes the specialists ever more knowledgeable.

- ATTRA's Helpline is: 800-346-9140
- ATTRA's Spanish Helpline is: 800-411-3222
- The "Ask an Ag Expert" e-mail form

"My hope is that a cooperative business model will allow for operations that can be sustainable and serve the needs of local farmers for years to come."



NCAT horticulture specialist Guy Ames discusses elderberry production with "Armed to Farm" conference members in Fayetteville, Arkansas.

materials also are available in digital formats, including flash drives, databases, webinars, videos and PowerPoint slide shows.

The resources, with the exception of a few publications, are free.

Ask an Ag Expert

ATTRA's toll-free telephone hotline service and e-mail address are popular with growers, educators and others who call or send questions about sustainable agriculture and related topics. ATTRA specialists help them find answers using ATTRA resources or, if necessary, other

is posted at: www.attra.ncat.org

The best way to get an overview for what ATTRA offers is to visit its website: www.attra.ncat.org.

ATTRA translated

ATTRA is translating many of its publications into Spanish and has translated a number into Hmong (spoken by many immigrants from southeast Asia). In addition to its publications and research, ATTRA can provide speakers in English and Spanish for conference and workshops, as well as for research and project partnership. ■

ATTRA office contacts

Contact your nearest ATTRA office with questions, whether you're looking for information on sustainable agriculture or a possible partner for a co-op project.

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Legal Corner

Benefit corporations aim to promote public good; easily adapted to co-op principles

By Meegan Reilly Moriarty, J.D.
USDA Cooperative Programs

Editor's note: This article is not intended to serve as legal advice, but rather as a survey of several forms of business entities that readers may want to further explore. Individuals considering forming a Benefit Corporation, a B-Corporation or a Social Purpose Corporation should consult with an attorney.

In the November/December 2015 issue of *Rural Cooperatives*, I discussed L3C businesses, a type of LLC (limited liability corporation) that must serve a charitable purpose and was designed to attract foundation funds (although it does not have to).

This article focuses on another “hybrid” form of business that serves a dual for-profit and socially beneficial purpose: the benefit corporation. The benefit corporation was created to allow for-profit companies to also pursue a charitable purpose. Unlike the L3C, this business is not limited in its pursuit of income or capital appreciation (other than by its obligation to also pursue a social good). The benefit corporation can be adapted to operate using cooperative principals.

Background

Businesses can operate in a variety of ways and for a variety of lawful purposes. Historically, an organization that intended to serve a charitable purpose logically would consider operating as a nonprofit organization under state law. While a nonprofit can acquire earnings or get funding from private donors and foundations, it

cannot distribute (or liquidate) those earnings to the individuals that control the organization. A nonprofit cannot raise equity by issuing stock, since it belongs to the public.

A nonprofit can secure debt financing, but it may not get the best terms, since its difficulty in raising capital makes it harder to pay down the loan. Further, a nonprofit that is exempt from tax under Internal Revenue Code (IRC) Section 501(c)(3) is subject to the stringent private benefit, private inurement and excess benefit transaction rules. Violation of these rules can result in loss of exempt status and/or high excise taxes. (See IRC Sections 501(c)(3) and 4958.)

The corporate form of business also has significant limitations if operating for a beneficial purpose. Directors and officers of a corporation who wish to operate the business for purposes beyond solely generating profits run the risk becoming targets of shareholder lawsuits. Corporations are required by state law to be operated for the benefit of their shareholders. (See *Dodge v. Ford Motor Co.*, 204 Mich. 459, 507, 170 N.W. 668, 684 (1919); *eBay Domestic Holdings, Inc. v. Newmark*, 16 A. 3d 1 (Del. Ch. 2010).)

Corporate officers and directors owe a fiduciary duty of loyalty and care. The duty of loyalty mandates that fiduciaries act for the best interest of the corporation and put the corporation's interests ahead of their own when they are in conflict. The duty of care requires that fiduciaries pay attention and make good business decisions. Under the “business judgment rule,” courts rebuttably presume that directors are acting in good faith, with good information, and that their actions will

benefit the corporation. (See e.g. *Aronson v. Lewis*, 473 A.2d 805 (Del. 1984).)

Generally, the business judgment rule gives directors and officers some latitude to make decisions that promote a social good as long as there is a purported, believed, or actual connection to the value of the corporation. Many states (but not Delaware, where many businesses are incorporated) have laws that allow fiduciaries to consider constituencies other than shareholders when making decisions; members of the constituencies vary by state, but may include employees, former employees, suppliers, creditors, customers and the community. (See Eric W. Orts, *Beyond Shareholders: Interpreting Corporate Constituency Statutes*, 61 *Geo. Wash. L. Rev.* 14 (1992).)

However, courts continue to see the shareholders' interests to be paramount even when acknowledging directors' legitimate interest in considering other constituencies. (See e.g. *Baron v. Strawbridge & Clothier*, 646 F. Supp. 690 (E.D. Pa. 1986).) So even with the latitude provided by the business judgment rule and even in states with constituency statutes, directors run the risk of being liable in a suit for breach of fiduciary duty.

Generally, when dealing with unwanted takeovers, directors may take reasonable actions to protect the corporation's policies, but defense of a socially motivated policy that does not enhance the value of the corporation is not permissible. (See e.g. *eBay Domestic Holdings Inc. v. Newmark*, 16 A. 3d 1 (Del. Ch. 2010)). When a corporation's ownership or control is being transferred, the directors' job

becomes getting the best stock price for the shareholders. Accepting a bid for the corporation that preserves the corporation or its management when a higher price is available is an actionable breach of fiduciary duty. (See *Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc.*, 506 A.2d 173 (Del. 1986); *In re The Topps Company Shareholders Litigation*, 926 A.2d 58 (Del. Ch. 2007)).

Shareholders can sue if they think directors or officers have engaged in misconduct or wasted corporate assets. Penalties for directors and officers can include money damages, disgorgement

entity, but unless otherwise specified in the benefit corporation legislation, existing corporate law applies. All references in this article are to the model legislation; practitioners should examine the specific state legislation that they are considering because it may differ from the model legislation.

Unlike strictly profit-motivated corporations, a benefit corporation's purpose is to have a general public benefit, defined as a "material, positive impact on society and the environment." Benefit corporation fiduciaries are required under the model legislation to consider the impact of

The general public benefit provision is intended to be flexible and to give a positive orientation to the business. It is drafted broadly to allow individual corporations to creatively arrive at a public benefit. While the requirement that the corporation benefit society and the environment seems onerous, according to the white paper, corporations are not necessarily always required to benefit both. The benefit is to be "taken as a whole" under the statute and assessed as a whole. Additionally, commentators have complained (according to the white paper) that the requirement for a

Benefit corporation legislation has been adapted in 31 states and is being considered by five more.

of profits from the director or officer, removal of directors or officers, rescission of the relevant transaction, and payment of attorney's fees. (See Sections 8.31 and 7.46 of the Revised Model Business Corporation Act Third Edition Revised 2002.)

Benefit corporations

Given the limitations of the nonprofit and corporate business forms, creative individuals have invented several business entities that can operate for a social benefit purpose, raise capital, preserve an adopted social or environmental purpose in the event of merger and acquisition, and earn and distribute profits. One of these entities is the benefit corporation (or the public benefit corporation, the name by which an alternative form to the model benefit corporation is known in some jurisdictions).

Benefit corporation legislation has been adapted in 31 states and is being considered by five more. The model legislation, drafted by attorney Bill Clark, with Drinker, Biddle and Reath LLP, creates a new category of business

their decisions on shareholders, other constituencies — including workers, suppliers, customers, subsidiaries, and the community — and on non-financial objectives, including benefiting the environment and society. Fiduciaries are also required by the model legislation to consider the short-term and long-term interests of the corporation (the long-term interests of which may best be served by not being acquired or merged into another company). The corporation may also name a specific public benefit that it will pursue.

According to the white paper by Clark and Larry Vranka of Canonchet Group LLC, the "general public benefit" provision in the model statute was included (rather than just allowing the corporation to choose a specific benefit) for two reasons: 1. to permit corporations to pursue a broad social mission without fiduciary liability, and 2. to prevent them from "greenwashing" their organizations by choosing and publicizing one benefit and using other corporate resources to engage in activities that are not beneficial.

general public benefit that makes a "material" difference is vague. The drafters responded in the white paper that the assessment against the independent standard clarifies the meaning of "material."

The model statute suggests several specific public benefits that a benefit corporation could include as part of its mission:

1. Providing beneficial products or services to the low-income or underserved;
2. Promoting economic opportunities;
3. Protecting the environment;
4. Promoting health;
5. Promoting the arts and sciences;
6. Funding beneficial entities;
7. "Conferring any other particular benefit on society or the environment."

As item 7 indicates, this list is not intended to exclude other beneficial purposes.

Reporting standards

The model legislation drafters avoided including statutory performance standards or creating a

Co-ops and other businesses can consider operating as one of the corporate entities that have been created to further a social purpose and avoid fiduciary liability for violation of the shareholder primacy rule.

new government body to evaluate the corporations. Instead, they mandated reporting using a private third-party standard. The white paper lists a number of third-party standards organizations that would be acceptable under the legislation. These include B-Lab, The Global Reporting Initiative (GRI), GreenSeal, Underwriters Laboratories, ISO2600, and Green America. GRI and B Lab do not charge for the use of certain of their standards.

Except in Delaware, a benefit corporation must promulgate an annual report based on a private third-party standard: 1. to its shareholders; 2. on its website, and 3. with the state secretary.

This report would not be required to be audited, but some benefit corporations may decide to have third-party audits conducted to enhance their credibility. The model statute mandates that the third-party standard be independent, comprehensive, credible, and transparent.

The third-party organization is independent of the benefit corporation if it follows rules assuring that it is not funded by the benefit corporation's industry and that most of the organization's governing body is not associated with the industry.

The standard is comprehensive if it takes into account the benefit corporation shareholders, workforce, the workforce of its subsidiaries and suppliers, its customers, the community, the local and global environment, societal factors, the short- and long-term interests of the corporation, and the general and specific benefit being pursued by the corporation.

The standard is credible under the model legislation if it is created using expertise and a multi-stakeholder approach including a public comment period.

Transparency is achieved: 1. By mandating that criteria (and their relative weightings) used by the standard are publicly available, and 2. By requiring the organization developing the standard to identify its members (as well as any conflicts of interest) and to describe how membership changes and standard revision changes are made.

Fiduciary responsibilities

Importantly, the model legislation uses language in several sections intended to ensure that courts will not hold fiduciaries liable for failing to follow shareholder primacy rules. It states that the general and public benefits are "in the best interest of the benefit corporation," thus assuring that benefit company directors and officers who pursue public benefits (rather than solely focusing on profit maximization) will not be liable for fiduciary violations. The model statute explicitly states that directors do not need to give priority to the interests of shareholders or any other particular stakeholder or group unless mandated by the bylaws of the corporation.

Directors and officers have wide authority to further the best interest of the corporation, so long as they pursue a public benefit; any specific benefit mandated by the corporation; the interests of community stakeholders (the shareholders, employees, suppliers, customers, and subsidiaries); the environment; and the long- and short-term interests of the corporation.

Fiduciaries remain subject to and protected by the business judgment rule. A disinterested director who makes a good-faith, informed decision that the director rationally believes to be in the best interest of the corporation is protected from liability.

Interestingly, directors and officers are not liable for money damages if they fail to pursue the general or specific public benefit. And fiduciaries have no duties toward third-party beneficiaries of the general or specific public benefit purpose of the corporation unless the corporation articles allow a specific class of individuals to bring an enforcement action. Generally, directors, shareholders who own 2 percent of outstanding shares, and 5-percent owners of a parent company are the only constituents with standing to bring a derivative action on behalf of the corporation to enforce the benefit purpose.

Derivative suits can move forward if: a director or officer failed to pursue the corporation's general or specific benefit; did not achieve a duty or standard of conduct; or did not provide the public with the annual benefit report (by publishing it on a website, delivering it to shareholders and providing it to the secretary of the state) written in accordance with a third-party standard.

Remedies available under the statute are equitable. The white paper speculates that a good faith effort to pursue the general or specific benefit purpose might defeat a derivative suit; but for meritorious actions, a court might give an extended period of time to demonstrate the achievement of a benefit. Other remedies could include putting in place procedures to consider constituencies that had been neglected and enforcing the requirement to publish the benefit report.

Directors are still required to pursue the purpose of the benefit corporation and consider community stakeholders in a change of control, merger, consolidation, or conversion. Any change in the form of the entity is

required to be approved by two-thirds of the shareholders. The corporation's bylaws can be amended by a two-thirds vote of the shareholders to terminate its status as a benefit corporation. Sale of all the benefit corporation's assets also effectively terminates the corporation and must be approved by a two-thirds vote.

Benefit director and benefit officer

Publicly traded benefit corporations are required to designate a benefit director whose duties include preparing the annual benefit report. In preparing the report, the benefit director is required to address whether the corporation pursued its general and specific purpose and whether the directors followed appropriate standards of conduct including considering community and environmental interests.

The benefit director also must

regardless of contrary voting or consent rules in the entity's articles of incorporation, bylaws, or (in the case of a limited liability company) operating agreement.

The corporation must amend its articles of incorporation to include a statement that the corporation is a benefit corporation. In some states, dissenting shareholders are entitled to receive the fair market value of their shares.

B-Corps and B-Lab

B-Lab provides third-party standards for benefit companies and was the organization behind the creation of the model benefit company legislation. B-Lab was formed by Jay Cohen Gilbert, Bart Houlahan and Andrew Kassoy, all Stanford University alumni. Gilbert and Houlahan previously ran a multi-million-dollar sports footwear and apparel company while Kassoy was a

created to further a social purpose and avoid fiduciary liability for violation of the shareholder primacy rule. Some businesses may want to operate as benefit corporations, have a general and specific purpose, and be publicly recognized for adhering to a stringent third-party standard. Some benefit corporations may want the further recognition of achieving B-corporation status by being certified by B-Lab. And other businesses may prefer a less stringent alternative.

Washington, California and Florida have enacted legislation enabling "social purpose corporations" or SPCs, another corporate form intended to operate for a beneficial purpose but having fewer requirements than benefit corporations. The Washington SPC operates for a general purpose and can choose one or more specific purposes. The California SPC (also known as a Flexible Purpose Corporation) generally operates for a

Even with the latitude provided by the business judgment rule... directors run the risk of being liable for breach of fiduciary duty unless they operate as part of a benefit corporation.

describe any compliance failure in the report. Non-publicly traded corporations may also designate a benefit director. Benefit companies are also permitted to designate a benefit officer who can help the company pursue its public benefit or prepare the benefit report.

Converting to a benefit corporation

When an entity is planning to change to a benefit corporation (or cease to be a benefit corporation) as a result of a merger, consolidation or conversion, the model benefit legislation requires that shareholders of every class (and individuals entitled to receive property distributions) approve the plan by a two-thirds vote. This method of approval is required

private equity investor.

B-Corporations are corporations that have received the seal of approval from B-Lab. Companies earn the seal by undergoing a B-impact assessment, developed by an advisory board of business people and academics. The assessment quantifies the company's impact and describes how it is doing compared with other similar companies. The assessment measures the company's environmental practices, treatment of workers, customers, and consumers, and its governance practices particularly with respect to accountability and transparency.

Conclusion

Cooperatives and other businesses can consider operating as one of the corporate entities that have been

specific purpose but can elect to also have a general purpose. These entities may be a good choice for businesses that do not want to go to the expense of adhering to a third-party standard, or in the case of the California SPC, want to have just a specific social purpose. However, the more stringent requirements of the benefit corporation provide more credibility for organizations that want to avoid the appearance of "greenwashing." ■

References

- IRC Section 501(c)(3)
- IRC Section 4958
- Cal. Corp. Code Sections 2500-3503
- Revised Code of Washington Sections 23B.25.005-23B.25.150
- Model Business Corporation Act

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Newsline

Co-op developments, coast to coast

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

TFC feed mill becomes movie set

A Tennessee Farmers Cooperative feed mill in LaVergne, Tenn., was transformed into a movie set in October to film scenes for “Where the Fast Lane Ends.” The movie features Christopher Knight (best known for playing Peter Brady in “The Brady Bunch” television show) and Scott Reeves (well known for his soap opera roles on “General Hospital” and the “Young and the Restless”). Some co-op employees at the mill were given on-camera roles. Other scenes were filmed in Franklin, Tenn., using Tennessee FFA members.

The movie is written and produced by Mark Miller, singer with country music band Sawyer Brown. The goal of the movie is to help spread a positive message about modern-day animal agriculture. TFC’s Feed and Animal Health Department helped support the production of the movie, which is set to debut next summer.

Last summer, TFC hosted an exclusive premiere of “The Ivy League Farmer,” another agriculture-oriented movie written and produced by Miller. The premiere, held at a cinema in Smyrna, Tenn., helped to raise awareness of food insecurity, to support the Murfreesboro City Schools’ “backpack initiative” and to help educate the public about modern-day agriculture. TFC’s Feed and Animal Health Department, along with several other agriculture companies, helped fund the production.

“When one of our feed-industry partners, NutraBlend, told us the story about The Ivy League Farmer and how it addresses the importance of



A scene from a new movie, “Where the Fast Lane Ends,” is filmed at the Tennessee Farmers Cooperative (TFC) feedmill in LaVergne, Tenn. From left, actor Chris Knight, TFC’s Mike Richardson and Bobby Brown, along with actors Scott Reeves and Terri Minton, film a scene near the bagging line.

agriculture and feeding a hungry world, we said, “This is something we want to be a part of,” says Paul Davis, TFC’s director of feed and animal health. “The film sends a positive message to those who might have a limited knowledge of the agricultural industry.”

“This movie represents a different kind of outlet to bring the message about hunger here in America and to show the heart of what the farming industry is all about,” adds Miller.

“The Ivy League Farmer” tells the story of 23-year-old Joel Gilbert, a recent Harvard graduate who returns to the family dairy for the summer before starting a new Wall Street job. Realizing the dairy is in trouble, he confronts his strong-willed father with ideas of using modern technologies, management practices and business ethics to ensure the farm’s future. Gilbert becomes reacquainted with a former girlfriend, now a teacher, and together they devise a plan to provide food for undernourished students and build awareness of world hunger.

As part of the premiere, TFC made a \$5,000 donation to the Murfreesboro City Schools’ backpack initiative, which provides food for students who are likely to go home to empty pantries.

CDF to host home care worker co-op conference

The Cooperative Development Foundation (CDF) will host a Home Care Worker Cooperative Conference in the Minneapolis-St. Paul area this fall. The two-day conference will bring together home care worker cooperative members, managers, technical assistance providers and steering committees to discuss the economics of home care, organizing, expansion, collaboration and best practices. To ensure that the conference meets the needs of the audience, CDF is encouraging anyone interested in the subject to complete a brief, six-question survey. The results of this survey will determine the date and content of the conference.

CDF has supported research and development of home care cooperatives for more than a decade through the MSC Fund and USDA Rural Cooperative Development and Socially Disadvantaged Group Grants.

Beall resigns as NCBA CEO; Ziewacz interim leader

Michael Beall resigned in November as the president and CEO of NCBA CLUSA. Beall was hired to lead the co-op business organization on Sept. 28, 2012.



In a letter to members, Board Chairman Andrew Jacob said “I have reluctantly accepted the resignation of Michael Beall as CEO/President

of the National Cooperative Business Association CLUSA International. In his three-year tenure as CEO/president, Michael successfully made numerous contributions to the financial and business operations of NCBA CLUSA. All of us here at NCBA CLUSA join in wishing Michael well in his new position as senior consultant at Credit Union Strategic Planning Inc.”

NCBA CLUSA has named Judy Ziewacz as interim CEO. Beall has agreed to assist the organization as a consultant on an “as-needed” basis.

“I am pleased to once again serve NCBA CLUSA and the broader cooperative community during this transition period to ensure that the initiatives and priorities of NCBA CLUSA continue uninterrupted,” Ziewacz said. “The work NCBA CLUSA is engaged in, both domestically and around the world, promotes the resilience of the cooperative business model, and I look forward to working with our board, leadership team and staff to contribute to the ongoing success of the organization.”

For more than 35 years, Ziewacz has championed cooperative development. In 1985, she was instrumental in launching the nation’s first statewide co-op development center: the Wisconsin Cooperative Development Council, now known as Cooperative Development Services. She also played a key role in establishing CooperationWorks!, a national cooperative development network responsible for the creation of hundreds of co-ops and thousands of jobs.

For nearly 100 years, NCBA CLUSA has sought to advance and protect cooperative enterprises, highlighting the impact of cooperatives in bettering the lives of individuals and families. In the past 60 years, it has grown its international development portfolio to more than \$45 million of active programs in 18 countries.

DFA acquires sole ownership of DariConcepts

Dairy Farmers of America (DFA) announced in November that it would acquire 100-percent ownership of DariConcepts, the cooperative’s joint venture with Fonterra Co-operative Group Ltd. (Fonterra). The two businesses have partnered in DariConcepts as equal owners since 2000, when the joint venture was formed.

DairiConcepts plays a key role in DFA’s strategy to further grow its ingredients division and extend its global marketing outreach, but it was viewed as a non-core component of Fonterra’s strategy. The decision was made by both DFA and Fonterra to consolidate ownership.

“Our relationship with Fonterra remains strong,” says Rick Smith, DFA president and CEO. “DairiConcepts has historically generated strong returns for our farmer-owners, and we look forward to continuing to strengthen the business and expand markets for our members’ milk.”

Fonterra will remain a key customer

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2016 INDUCTEES TO COOPERATIVE HALL OF FAME ANNOUNCED

THREE OUTSTANDING COOPERATIVE LEADERS will receive the cooperative community's highest honor on May 4, when they are inducted into the Cooperative Hall of Fame. The inductees are Dennis Bolling, Dennis A. Johnson and Jessica Gordon Nembhard. These cooperative leaders will be recognized at the annual Cooperative Hall of Fame dinner and induction ceremony at the National Press Club in Washington, D.C. In conjunction with the ceremony, a public forum on cooperative development and leadership will be held in the afternoon.

"Induction into the Cooperative Hall of Fame is reserved for those who have made genuinely heroic contributions to the cooperative community," says Gasper Kovach Jr., board chair of the Cooperative Development Foundation, which administers the Hall of Fame.

■ **Dennis Bolling** — Outgoing president and CEO of United Producers Inc. (UPI), Bolling is a champion of the co-op business model and a visionary cooperative



educator. He spent nearly four decades serving the cooperative sector.

Bolling's co-op career began in 1980 at the Louisville Bank of Cooperatives, a predecessor to CoBank. One of his accounts was Producers Livestock Association, which later became United Producers Inc., an Ohio-based livestock marketing, finance and member services co-op serving

farmers in the Midwest.

Bolling helped Producers Livestock emerge from the economic downturn that plagued the ag sector throughout much of the 1980s. In 1999, he oversaw a series of mergers that doubled the co-op's size and expanded its services to producers in 10 states. In late 2001, Bolling steered UPI through a complex, eight-year legal and financial labyrinth in the wake of what has been described as a "ponzi scheme" that left it bankrupt and \$80 million in debt. Under his leadership, UPI not only survived what was widely seen as a crippling setback, but its members emerged protected and its operations undamaged.

Today, UPI is the largest livestock marketing cooperative in the U.S., serving 45,000 members, marketing 3 million head of livestock and recording annual sales of \$1.2 billion last year.

Once UPI was stabilized, Bolling turned his attention to his lifelong passion: cooperative education and development. An advocate of strong board governance, he developed a board certification program and used the Farm Credit Services' leadership modules to provide advanced governance training to co-op boards. At a time when the National Council of Farmer Cooperatives' (NCFC) director education program was on the brink of disappearing, Bolling helped reinvent it and ensure its broad support.

At CoBank, Bolling led the committee that developed its director education program, writing and presenting much of it himself.

Bolling was instrumental in creating numerous cooperative education organizations, including the Center for Cooperatives, Business and Community Education and Development at Ohio State University and the Mid America Cooperative Council. He serves on the Executive Committee and as chair of the Education Committee at NCFC, where his goal is to help cooperative directors understand the scope and complexity of their role. Bolling also chairs the board of the NCFC Foundation, where he has set fundraising strategies and expanded the organization's scope of work.

■ **Dennis Johnson** — is former president and CEO of the St. Paul Bank for Cooperatives, an early investor behind a new generation of Midwestern co-ops in the 80s and 90s. Also a key figure in the development of senior housing co-ops, Johnson holds a pivotal place in cross-sector cooperative history.



His career at the St. Paul Bank for Cooperatives saw him advance from credit analyst in 1973 to president and CEO in 1989, a position he held until the bank merged with CoBank in 1999.

Early on, Johnson recognized the integral role the cooperative business model could play in improving life in rural America. Under his leadership, the St. Paul Bank became a leader in supporting new venture co-op formation and finance.

Johnson also oversaw the bank's most significant change during its 55-year history when, in 1989, it transitioned from a lender with a four-state charter to one with a national charter under the Agriculture Credit Act of 1987.

The expansion enabled the bank to support application of the co-op business model to spur rural economic development.

Working alongside Rod Nilsestuen in the mid-80s, Johnson was an early supporter of a co-op development center that would provide technical assistance to both existing co-ops and startups. He and the St. Paul Bank were a reliable source of funding for what is today known as Cooperative Development Services.

Starting with the Homestead Housing Cooperative program in the 1990s, Johnson has played a leading role in the senior co-op housing sector. After retiring from the St. Paul Bank in 1999, Johnson devoted the next 15 years to finding a new approach to developing and financing senior housing co-ops.

In 2002, Johnson helped organize the Senior Cooperative Foundation and, in 2006, he joined Cooperative Housing Resources (CHR) as executive vice president, strengthening the organization as the nation's only lender focused solely on financing senior housing co-ops. Johnson was the lead organizer of the annual Senior Cooperative Housing Conference, for which he continues to shape content.

Recognizing the need for members to understand the cooperative model, Johnson created the Senior Co-op Housing Education Program, which has benefited more than 6,000 member-owners. In 2009, he incorporated a purchasing co-op to leverage the buying power of senior housing co-ops.

In 2013, he was a key part of a group that convinced the U.S. Department of Housing and Urban Development not to shutter its Minneapolis office. Instead, staff grew from 11 to 50 people, and it continues to provide services to senior housing co-ops nationally.

As board member and chair of the Cooperative Development Foundation, Johnson served as finance chair of the National Rural Development Task Force. In that role, he helped secure the congressional authorization and appropriations for the USDA Rural Cooperative Development Grant (RCDG) program. Today, this program remains the primary source of federal funding for cooperative development.

■ **Jessica Gordon Nembhard** — A cooperative ambassador, economist and community economic development expert, Gordon Nembhard is author of the recently published book, "Collective Courage: A History of African American Cooperative Economic Thought and Practice" (Pennsylvania State University Press, 2014). The result of 15 years of research, the book solidifies Gordon Nembhard as a historian of cooperative empowerment and transformation within

low-income and minority communities.

Gordon Nembhard is professor of community justice and social economic development in the Department of Africana Studies at John Jay College, of the City University of New York (CUNY). In the early 2000s, she was an assistant professor in the African American Studies Department at the University of Maryland, College Park, and a co-founder of the Democracy Collaborative there. She was also a founding board member of the Political Economy



Research Institute at the University of Massachusetts, Amherst.

In 2008-09 she was a visiting scholar at the Centre for the Study of Cooperatives at the University of Saskatchewan (Canada) and continues to be an affiliate scholar there. Since 2007, Nembhard has served on the Association of Cooperative Educators (ACE) board of directors, where she contributes to research and education programs.

Her leadership has helped to position worker co-ops as tools for economic and racial justice in the 21st century. She co-founded the U.S. Federation of Worker Co-ops and helped that organization build lasting ties with prominent civil rights and cooperative organizations.

She is also a member of the Grassroots Economic Organizing Newsletter collective and recently joined the board of directors of Green Worker Cooperatives. In 2001, she received the Cooperative Advocacy and Research Award from the Eastern Conference for Workplace Democracy.

She is an integral supporter of the Federation of Southern Cooperatives/Land Assistance Fund, and is currently working with a Federation committee to draft a pilot co-op curriculum for Tuskegee University, which it is hoped will prompt other universities to add co-ops to their business courses.

Gordon Nembhard also worked with the Coalition for a Prosperous Mississippi and is a member of the Southern Grassroots Economies Project (SGEP), a regional network dedicated to building a robust co-op economy in the South among marginalized communities. Gordon Nembhard is president of the board of directors/shared leadership team of Organizing Neighborhood Equity (ONE) D.C.

For more information about CDF and the Cooperative Hall of Fame, visit www.CDF.coop and www.Heroes.coop.

of DairiConcepts, which will operate as a wholly owned subsidiary of DFA. DairiConcepts is a manufacturer of cheese, dairy ingredients and dairy flavor systems with eight facilities across the United States. It works with customers both in the United States and around the world.

In other DFA news, the co-op has agreed to purchase the Muller Quaker Dairy in Batavia, N.Y., from Pepsico. The cooperative says it is exploring several milk handling and manufacturing options for the plant.

The \$208 million yogurt plant was opened in the spring of 2013 with about \$14 million in state tax credits as a key player in the yogurt boom that has seen New York become the top U.S. yogurt producer because of the booming Greek yogurt sector.

Partnership to finance resident-owned communities

ROC USA Capital, National Cooperative Bank (NCB) and MetLife insurance company have forged a \$40 million financing partnership to structure a groundbreaking first mortgage acquisition/permanent loan product to finance resident-owned manufactured home communities (ROCs) at scale. NCB and MetLife will each invest \$15 million, and ROC USA Capital \$10 million, over two years to finance ROCs in 20 states.

“We launched ROC USA Capital to build a robust national market to finance the acquisition, long-term ownership, operation and improvement of manufactured home communities by the lower income homeowners who call these neighborhoods home,” says ROC USA Capital Managing Director Michael Sloss.

Since its inception in 2008, ROC USA Capital has built a \$100 million portfolio of first mortgage community acquisition/permanent loans to 42 ROCs in 11 states, enabling more than 3,400 low- and moderate-income homeowners to buy, preserve and improve their neighborhoods. ROC USA Capital has carried out this work on a retail basis, partnering with 20



Residents of Meadow Valley Park, Unadilla, N.Y., celebrate the conversion of their manufactured housing community into a resident-owned co-op. Photo courtesy ROC USA

statewide and regional financial institutions to deliver this critical community acquisition/improvement financing.

The partnership with NCB and MetLife opens the door for other national banks, insurance companies and pension funds to finance resident-owned communities.

This is a key development in ROC USA LLC’s national strategy to implement its resident-ownership model at scale. National institutional investors have financed manufactured home community (MHC) acquisitions by commercial owners for years, committing close to \$1 billion annually in the MHC sector. Bringing such institutional investors to the resident-ownership segment of the MHC sector will enable ROC USA Capital to grow and diversify its lending and set the stage for developing an active secondary market for ROC USA Capital’s loans.

“We’ve been very successful creating resident ownership opportunities on a relatively small scale, more than doubling our portfolio to 10,000 homes in eight years,” says Paul Bradley, ROC USA president. “We built ROC USA to

scale resident ownership and transform communities by bringing security and economic gain to the often-ignored homeowners in the country’s 50,000 manufactured home communities. This loan product makes ROC USA Capital a more nimble and competitive force in that field.”

“As a socially responsible, cooperatively owned financial institution, National Cooperative Bank is the ideal partner for ROC USA and MetLife to bring affordable housing to residents across the country,” says Ann Fedorchak, managing director at NCB.

“ROC USA’s model of resident ownership ties to MetLife’s financial inclusion work supporting skills and financial products to manage life’s risks and seizing its opportunities,” says Matthew Sheedy, director and head of community investments at MetLife.

ROC USA is a nonprofit social venture with a national network of eight affiliates working to make resident ownership viable nationwide.

USDA awards \$34 million in Value-Added Producer Grants

USDA is investing nearly \$34

million in Value-Added Producer Grants (VAPG) to help 258 businesses nationwide. These grants can be used to develop new agricultural products or additional markets for existing ones. Military veterans, socially disadvantaged and beginning farmers and ranchers, operators of small- and medium-sized family farms and ranches, and farmer and rancher cooperatives are given priority when applying for these grants.

“This funding will enable farmers and ranchers to develop new products, improve the bottom line for their operations and help create a robust local and regional food system,” says Rural Development Deputy Under Secretary Vernita F. Dore. “Value-Added Producer Grants provide capital to enable ag producers to grow their business through diversification.”

Examples of companies receiving awards include EarthDance, a farm in Ferguson, Mo., that also operates an organic farm school. EarthDance is receiving a \$19,000 grant to conduct a feasibility study and develop a business plan for marketing organic local produce.

In Sebastopol, Calif., Bohemian Creamery is receiving a \$100,000 grant to produce, sell and market goat whey sodas and soft-serve frozen yogurt. In Madison County, Va., North Cove Mushroom has been selected for a \$250,000 grant that will help the company market and process locally produced mushrooms into prepared foods and medicinal products.

Since 2009, USDA has awarded 1,115 VAPGs worth \$154 million. About 18 percent of the grants and 14 percent of total funding has been awarded to beginning farmers and ranchers. During 2015, more than one-third of VAPGs went to farmers and ranchers developing products for the local foods sector.

USDA Rural Development helped 84 agricultural producers carry out local foods projects in 2014 through almost \$8.9 million in VAPG awards. In Arizona, North Leupp Family Farms received a \$26,000 grant to determine the feasibility of producing blue

cornmeal from Navajo corn and starting a mobile market to sell products on the Navajo Nation. In Georgia, the owners of B.J. Reese Orchards LLC are using a \$200,000 grant to process their apples into home-made apple pies and other value-added apple products.

CCA conference in Omaha, June 4–7

“Get up and GROW in the Big O!” is the theme for the 2016 Cooperative Communicators Association (CCA) annual Communications Institute, June 4–7 in Omaha, Neb. The CCA conference usually attracts about 125 co-op communicators from all types of co-ops.

The three-day program will include a wide range of professional development sessions ranging from hands-on skill building to exploration of strategic management issues. In addition, CCA will recognize the best in writing, photography, publications and special projects during its annual communications awards program.

Program details and registration materials will soon be available at: www.communicators.coop.

Lamb co-op purchases Colorado plant

Mountain States Lamb Cooperative (MSLC) is purchasing the JBS Greeley Lamb Plant, in Greeley, Colo. All 120 JBS workers will continue with their current positions, according to a report in the *Prairie Star*.

The co-op has been renting the plant and paying for lamb harvest, so MSLC had no control over that portion of the process, Becky Gitthens, the co-op’s director of finance and operations, told

the *Prairie Star*. Owning the plant will provide producer-members with “more opportunities for their economic future,” Gitthens said, adding that co-op members will now be better able to earn “maximum return on their investment.”

MSLC is the nation’s largest lamb producer cooperative, with 140 sheep producers-members in 17 states. MSLC markets lamb under the labels Cedar Springs Natural Lamb and Mountain States Rosen Lamb. The co-op harvests 260,000 lambs annually, with producer families raising them either conventionally or naturally.

N. Dakota co-ops to merge

Members of United Prairie Cooperative of New Town and Dakota Quality Grain Cooperative of Parshall have voted to consolidate their operations. The new company will begin operations as United Quality Cooperative in April, providing services and products for the grain and energy industries.

United Prairie CEO and General Manager John Reese says the two co-ops share a bulk fuel partnership and have overlapping trade territories, and it made sense to combine.

The new United Quality Co-op will have more than 6,000 patrons and 170 employees. Reese and Dakota Quality Grain General Manager Daryl Stevens both are retiring, and the search is underway for a CEO for the new co-op.

Elburn Co-op to merge with CHS

Members of Elburn Cooperative, a diversified agricultural retailer based in Sycamore, Ill., have voted to merge with CHS Inc. With 81 percent of eligible producers voting, 94 percent cast ballots favoring the merger, which will become effective in March, pending due diligence by both co-ops and approval by the CHS board.

“Merging with CHS offers us a more competitive size and scale than we’ve had in the past on our own,” says Tracy Jones, chairman of Elburn Cooperative. “This merger positions us to return the

greatest value to our patrons and for future generations. We look forward to enhancing and building upon the already strong local cooperative expertise available to producers in the region,” says Lynden Johnson, CHS executive vice president. Phil Farrell will continue to serve as general manager.

Michigan dairy co-ops promote food safety

Michigan Milk Producers Association (MMPA) and Continental Dairy Facilities LLC hosted 57 food safety professionals from around North America at a dairy plant food safety workshop Oct. 13-14 in Coopersville, Mich. The workshop — designed by the International Dairy Foods Association and the Innovation Center for U.S. Dairy — emphasizes the importance of strengthening manufacturing practices in all dairy processing facilities to diminish food safety risk and protect the reputation of the dairy industry.

“We believe food safety is not a trade secret, and we openly share our best practices for the good of the dairy industry,” says MMPA General Manager Joe Diglio. “This food safety workshop is the right forum for companies like MMPA to share our expertise and to build cooperation among industry leaders.”

Industry experts taught the participants procedures related to achieving and maintaining superior food safety standards in their processing plant. The training — one of more than 20 workshops held nationwide — involved hands-on activities related to food safety in dairy plants, with a special emphasis on dry powder.

CDI completes Visalia plant expansion

California Dairies Inc. (CDI), the largest dairy processing cooperative in California, has commissioned a new evaporator at its Visalia, Calif., plant. The addition of a third evaporator at the plant moves CDI’s export powder portfolio up the value chain in to higher specification powders.

ACE-CASC conference in Calgary, June 1–3

“Energizing Communities: Cooperatives Nurturing Democratic Practice!” is the theme for the combined conference of the Association of Cooperative Educators (ACE) and the Canadian Association for the Studies of Cooperation (CASC). The joint conference will be held June 1–3 at the University of Calgary in Alberta, Canada.

This joint cooperative education and research conference is part of the 2016 Congress of the Canadian Federation of the Humanities and Social Sciences. For more information, contact Sarah Pike at pike@ace.coop or (763) 432-2032.

The additional evaporator provides CDI the ability to produce low-spore, nonfat dry milk and skim milk powder, in addition to high-heat, heat-stable and low-spore milk powders. The expansion and enhancement of its assets and product offerings not only enables CDI to meet its customer needs for value-added milk powders, but also increases CDI presence in the global marketplace.

“Striving to be a global market leader that produces the value-added and specialty dairy products the world prefers, CDI has positioned itself so that its assets and its capabilities align to produce the products the world market demands,” says Andrei Mikhalevsky, the co-op president and CEO.

Co-op to build Idaho fertilizer facility

Valley Agronomics LLC plans to build a fertilizer distribution and retail center on a portion of the former FMC

site west of Pocatello, Idaho. The plan is pending an agreement between the Power County Development Authority (PCDA), FMC Corporation and Valley Agronomics that will allow redevelopment to proceed, according to a report by NPG of Idaho.

The project reflects a capital investment of \$12 million and, at full scale, will employ 60 to 70 people. The initial phase of the operation will encompass about five acres with rail service from Union Pacific Railroad. A second phase of development will encompass an additional area of 12 acres of warehousing and retail operations.

Valley Agronomics is a partnership between Valley Wide Cooperative and WinField Solutions LLC, a Land O’Lakes company.

Co-op Summit slated for in October in Quebec

The International Summit of Cooperatives will be held Oct. 11-13 in Quebec City, Canada. Theme for the event is “Cooperatives: The Power to Act.” The summit will show the real impact of cooperatives and mutuals at the local, national and international levels, and the pivotal role they play in the key global issues listed in the United Nations’ post-2015 development agenda.

The program will examine new socio-economic and geopolitical realities around the world and address the challenges and opportunities faced by cooperatives and mutuals in a constantly changing economy. The summit will help cooperative leaders identify actions that could provide solutions to the development issues listed by the U.N. The program will include world-renowned speakers and will draw on cross-sector studies.

The Summit is the world’s leading event for co-op and mutual business development, and should be of interest to co-ops of all sizes and types. The event is expected to attract more than 3,000 participants from 93 countries. For additional information, visit: www.intlsummit.coop. ■

New poultry processing plant

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Key help from USDA, VA FAIRS

Heatwole received key assistance from the Virginia Foundation for Agriculture, Innovation and Rural Sustainability (VA FAIRS) and USDA's Value-Added Producer Grant (VAPG) program.

Agricultural development is closely tied with rural community growth. As a rural development center that works with cooperatives, other producer groups and rural businesses to support agricultural and rural initiatives, VA FAIRS was in an excellent position to help Heatwole realize his dream. The project has brought local producer groups and consumers together to promote community growth and to strengthen ties between residents and agriculture.

The VAPG funding from USDA Rural Development helped pay for a business plan. With that in hand, Shenandoah Processing was soon looking for a plant location and the necessary equipment to begin operations.

A building in Harrisonburg, in the heart of the state's Shenandoah Valley, was chosen for the plant. It had previously been owned by a commercial poultry operation, and it took only a few months to renovate the building and bring it up to meet USDA standards, with operations beginning in 2013. Its central location in Harrisonburg is easily accessible to a number of large and small farmers.

As Shenandoah's business has grown, it has added many new customers, including local and regional grocery stores. Receiving USDA's Organic and Certified Humane certifications has helped increase demand for its products.

The Harrisonburg area is designated as a food desert, based on the number of people with low incomes and their lack of access to fresh, local foods. Shenandoah Processing's efforts to bring accessible, organic poultry to the community is helping to improve that picture.

Opening new markets for small growers

Shenandoah Processing's growth has had a significant impact on producers in

the area. It currently processes flocks from 30 farms in Virginia and West Virginia, enabling producers — especially organic and small-scale growers — to reach larger markets than they could on their own. The business also has a strong focus on farmer education and is helping new farmers get started.

It holds monthly luncheons for its farmers, during which changes in food regulations and policy changes are discussed, along with general business updates. The Virginia Small Farm Outreach Program has visited the facility, bringing almost 50 program members, including economic development program directors and extension agents, to tour Shenandoah's processing operations and member farms.

The positive economic impact of the operation has been felt not only among farmers, but also in the community at large. The processing facility is credited for helping to create more than 200 jobs to date. With more local producers getting their products in stores and more local people finding employment, Shenandoah Processing is accomplishing its mission. ■

Legal Corner

continued from page 29

- Model Benefit Corporation Legislation
- Dodge v. Ford Motor Co., 204 Mich. 459, 507, 170 N.W. 668, 684 (1919).
- eBay Domestic Holdings, Inc. v. Newmark, 16 A. 3d 1 (Del. Ch. 2010).

- Enterra Corp. v. SGS Associates, 600 F. Supp. 678, 686 (E.D.Pa.1985).
- Aronson v. Lewis, 473 A.2d 805, (Del. 1984).
- Unocal Corp. v. Mesa Petroleum Co., 493 A.2d 946 (Del. 1985).
- Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc., 506 A.2d 173 (Del. 1986).
- In re. The Topps Company Shareholders Litigation, 926 A.2d 58

(Del. Ch. 2007).

- White Paper: The Need and Rationale for the Benefit Corporation: Why It Is the Legal Form That Best Addresses the Needs of Social Entrepreneurs, Investors, and, Ultimately, the Public.
- Eric W. Orts, Beyond Shareholders: Interpreting Corporate Constituency Statutes, 61 Geo. Wash. L. Rev. 14 (1992).

From Bars to Freedom

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prisoners, as well as creative business developers, academics and professionals with the ability to provide social supports to the members, she adds.

It is also critical to repeal laws that prevent prisoner cooperatives from forming. In Puerto Rico, laws obstructed prisoners' attempts to form a cooperative, and ex-prisoners are not allowed to form a cooperative because they are prohibited from fraternizing.

Further study of the application of the cooperative model for prisoners and

ex-prisoners and a commitment to rehabilitation could make a difference for the 2.2 million people currently in U.S. prisons, not to mention the 9 million incarcerated worldwide.

Sources for this article are available on request from the author: meegan.moriarty@wdc.usda.gov, or coopinto@wdc.usda.gov. ■

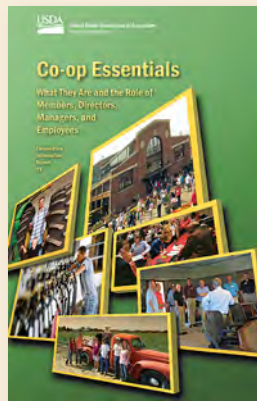
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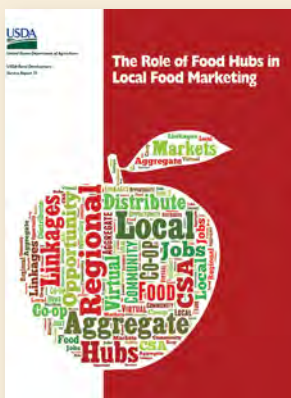
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A companionship volume to Co-ops 101, this is an educational guide that teaches further basic information about cooperatives. It explains what cooperatives are, including their organizational and structural traits. It examines co-op business principles and the responsibilities and roles of cooperative members, directors, managers and employees.



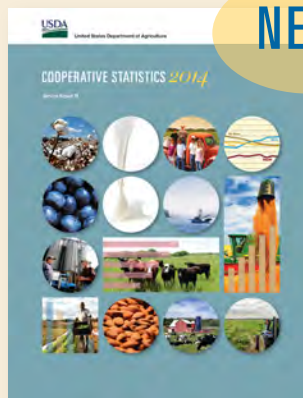
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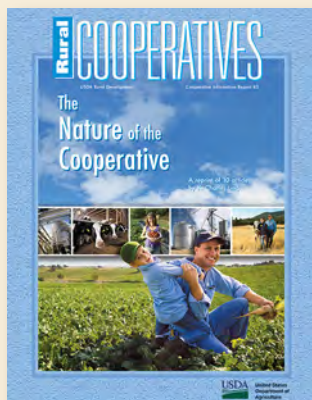
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The equity retained by dairy cooperatives represents a substantial sum of the members’ money and competes with the capital needed for financing their farm operations. That’s why good financial performance is vital to the well-being of dairy co-op members. Learn how well the largest U.S. dairy cooperatives are doing.

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The Nature of the Cooperative (CIR 65)

These collected articles, written by USDA ag economist Charles Ling, were originally printed in Rural Cooperatives magazine to examine the nature of cooperatives and their place in our free-market economy. Now expanded to 10 articles from the original 5. Especially suited to college-level courses that examine the cooperative business model.



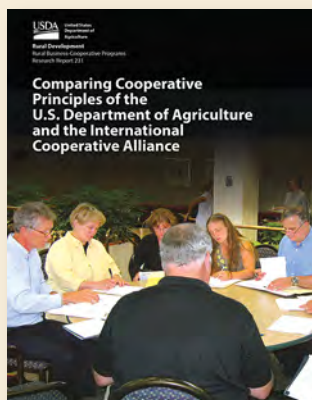
Nominating Electing and Compensating Cooperatives Directors (CIR 63)

This report examines the various methods co-ops use for nominating board candidates, voting policies and compensation practices for co-op directors. It also includes a look at the types of leadership skills needed by co-op board members. This collection of articles by USDA economist Bruce Reynolds originally appeared in USDA's Rural Cooperatives magazine.



Member Satisfaction with Their Cooperatives (RR 229) (Web Only)

Dairy cooperatives have adopted a wide range of organizational structures. In some cases, this resulted in fairly bureaucratic, complex business organizations that require high levels of management expertise. This study looks at how such organization affects the satisfaction members have with their cooperatives.



Comparing Cooperative Principles of the U.S. Department of Agriculture and the International Cooperative Alliance (RR 231) (Web Only)

The cooperative principles of the U.S. Department of Agriculture and those of the International Cooperative Alliance (ICA) have evolved in slightly different directions since the drafting of the Rochdale statement of 1860. This report compares the two sets of cooperative principles, including how they distinguish that form of organization from other forms of business.



Running a Food Hub. Volume I: Lessons Learned From the Field (SR 77)

This report is part of multi-volume, technical report series: Running a Food Hub. This first volume compiles a number of best business practices for starting or expanding a food hub enterprise. It includes operational profiles of the food hubs profiled in the report.



Running a Food Hub. Volume II: A Business Operations Guide (SR 77)

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