

# Rural COOPERATIVES

March / April 2014



## The Ripple Effect

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# Commentary

## Farm Bill boosts co-op development



By R.L. Condra

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The recent passage of the Farm Bill was an important piece of federal legislation that will have a strong impact on the continued growth and development of cooperatives in rural communities. While the bill included provisions relating to cooperative sectors, such as agriculture and utilities, it also highlighted the importance of the cooperative development sector by reauthorizing a number of key programs that support the growth and advancement of cooperatives.

A provision in the bill that may have received little notice, but will have tremendous benefit to the cooperative community, is the creation of an interagency working group that will be chaired and coordinated by the U.S. Department of Agriculture (USDA). In leading this interagency working group, USDA will draw on the expertise of the cooperative community, working closely with its leadership organizations, including National Cooperative Bank and the National Cooperative Business Association, to raise awareness within key federal agencies about the cooperative business model.

The coordination of these groups will certainly lead to better federal programs and relationships to help ensure the needs of cooperatives are heard and supported.

Why is the working group important? From my experience working with Congress and the federal government, it has become clear there is often a need for greater understanding of the cooperative model. Or, in many cases, an official or staff person may only be aware of one type of cooperative. Additionally, almost every agency within the federal government has initiatives or programs that connect directly, or indirectly, with the cooperative sector. In many cases, these federal agencies would benefit from knowing more about how a cooperative is structured, how it

is taxed and the economic and social values it provides to a community.

What agency is better equipped to discuss member-owned issues than USDA Rural Development, which has the federal government's only unit that is exclusively focused on cooperative programs? USDA Rural Development's leadership is uniquely qualified to chair this working group and provide a level of expertise and credibility when other agencies want to learn more about cooperatives.

Beyond the new working group, the Farm Bill reauthorized the Rural Cooperative Development Grant (RCDG) program, which is the only existing program in the federal government dedicated to cooperative development. The RCDG program is invaluable in providing grants and resources to support cooperative development centers and other entities providing technical assistance towards expansion in this sector. These groups are critical to improving the economic condition of rural areas by assisting individuals or entities in the start-up, expansion or operational improvement of rural cooperatives and other business organizations.

These groups are also effective in the work and expertise that they provide. In 2012, CooperationWorks conducted a survey of its development center members. For the years of 2009-2011, 18 centers assisted in the development of 276 new businesses, of which 154 were cooperatives. During this period, 6,050 jobs were created or saved, along with three centers assisting in the development of 780 co-op housing units.

The Value-Added Producer Grant Program and the Small Socially-Disadvantaged Producer Grants (SSDPG) program were also renewed in the Farm Bill. The SSDPG program provides technical assistance to minority and family farmers through cooperatives and cooperative development centers. This program is supported and accessed by a number of organizations that fully understand the need to help small farmers who work hard to make a living and provide for their families and communities.

One of the ongoing challenges for the cooperative community is to demonstrate the impact co-ops have on the nation's economic landscape. While USDA collects and analyzes a substantial amount of information on cooperatives

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# Features

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**ON THE COVER:** Students at Government Girls Primary School (GGPS) in Jacobabad's Sindh province display their art projects. Teacher Farzana Buriro (far left) is one of 700 teachers who participated in Land O'Lakes International Development's most recent, USDA-funded, McGovern-Dole Food for Education (FFE) program in Pakistan. Photo by Danial Shaw, courtesy Land O' Lakes





# The Ripple Effect

Co-op uses USDA-funded program to improve education for Pakistani girls

By Twanna A. Hines and Danial Shah

*Editor's note: Hines is a communications specialist with Land O' Lakes International Development. Shah is a consultant and also took the photos for this article.*





*Teacher Farzana Buriro engages students at Mirpur Buriro girls' school in an interactive, creative activity. She says her approach to teaching was "transformed" after attending a 10-day program at Nawabshah's Provincial Institute of Teacher Education (PITE), organized by Land O'Lakes International Development. Photos by Danial Shaw, courtesy Land O' Lakes.*

its 300 international aid projects since 1981, which have improved the lives of millions of people in 76 countries.

To conduct the most effective, responsible international development work, the company incorporates gender into all stages of the project lifecycle as a core consideration in program design and start-up. The goal is to ensure that the program staff and the clients who benefit from the work include large numbers of women. Monitoring and evaluation indicators are developed to effectively capture and disaggregate data by sex, while measuring overall program impact.

Land O'Lakes has increased school enrollment and improved nutrition for more than 240,000 schoolchildren in Pakistan through McGovern-Dole Food for Education (FFE) Programs, which are funded through USDA. These comprehensive initiatives have also incorporated a wide range of complementary activities beyond food aid distribution.

These efforts are empowering young girls to become leaders, mentoring female educators through teacher training programs, improving hygiene and sanitation, and transforming the physical infrastructure of schools.

The following three stories are drawn from the 30,000 schoolgirls, 700 teachers and 2,500 pregnant women who benefited from Land O'Lakes' most recent FFE in Pakistan, which ran from 2010-2013.

### **Finding her voice through debates**

Saba Hidayat loved stories, and she secretly wanted to share a few of her own. A fifth-grade student at Allan Jamali — a government girls' primary school (GGPS) in Pakistan's Jacobabad District — Hidayat was pleased that her family supported her favorite pastime: reading. Each month, her dad dipped

into the family's precious household savings to buy his 12-year-old daughter books.

Though she fell in love with the places and people mentioned in these books, she was most excited to be exposed to new ideas. Learning as she flipped through the pages, Hidayat wanted an outlet to express the ideas and opinions bubbling up inside of her.

Her school participated in the Pakistan Food for Education (PFFE) program, under which participants earned a four-liter bottle of cooking oil every month. School girls and teachers who attended 80 percent or more of the school days, as well as pregnant women who participated in neonatal screenings, qualified for the reward.

Cooking oil might not sound like much of a luxury to those in the developed world, but it typically gobbles up a huge portion of most Pakistani households' monthly food expenses. So, it serves as a strong incentive to parents to enroll their girls in school.

When Saba heard her school was organizing a debate competition, she attended as a spectator. Land O'Lakes organized the event to enhance the school's lessons on listening and problem-solving. Of course, it also brought the girls a fun and practical way to enhance their learning.

During the competition, Saba noticed that fellow classmates who debated commanded respect, whether they won or lost. "Speaking their hearts out gained them appreciation. I desired the same," she says.

A novice at public speaking, she later entered Land O'Lakes World Environment Day debate competition at her school. Initially practicing at home in front of mirrors, she built courage by delivering speeches in front of her first audience — her family — and, later, her teachers at school. When



Although women and girls comprise about half of the world's population, in many parts of the globe, they do not have equal access to education. Land O'Lakes International Development — a division of the second-largest cooperative in the United States — has made a concerted effort to reach women and girls through

Saba's big day arrived, as she exited the podium after her first-ever debate, the shy 12-year-old girl earned a big round of applause.

She was surprised when she won first place.

"Everyone was praising me," she excitedly recalls. "My neighbors came home to congratulate my parents. My parents were proud of me. The trophy means a lot to us. This is the accolade I had been waiting for."

Saba went on to win additional competitions, with the debates not only boosting her confidence, but also fueling her desire to study harder and excel in school, where she ranks near the top of her class.

"Nothing is impossible if you are determined to do it," she says.

### **Paying it forward**

Traveling 24 miles northwest from Saba's school, we can observe another success story from a teacher's perspective. Farzana Buriro is a teacher who genuinely loves her job at Mirpur Buriro GGPS, where she has taught for the past seven years. As a female member of the Buriro clan, her career has been exceptional because it is uncommon for a woman in her clan to receive a formal education.

"I was just living an ordinary life — I was a traditional, 'chalk-and-talk' teacher, just doing my job for the sake of doing it. Yet, deep within, I had a desire that nursed the hope of creating a difference someday," she says.

Buriro's life changed when, due to PFFE's success, her school's enrollment swelled. She was delighted to see so many new faces, but the program presented space constraints. Schoolgirls packed into her crowded classes and

**"These efforts are empowering young girls to become leaders, mentoring female educators, improving hygiene and sanitation, and transforming the infrastructure of schools."**



*Saba Hidayat won first place in Land O'Lakes International Development's World Environment Day debate competition at her school.*

Buriro needed to update her teaching skills to offer her students a better learning environment.

She heard Land O'Lakes had organized the 10-day training at the Provincial Institute of Teacher Education (PITE) in Nawabshah, nearly 168 miles south of Jacobabad. But she didn't think it was possible to attend.

It was rare for women to travel alone or leave the village for many days. Luckily, her school's headmistress — a respected member of her clan who

commanded authority — convinced Farzana's parents to give her permission to attend the workshop.

"*Baji* is my biggest support," Buriro says, referring to the headmistress, respectfully using the local-language word for older sister. After attending PITE, the training completely transformed how she taught.

"Now I understand classroom dynamics and use modern techniques of classroom management and integrated learning."

Before long, Buriro was one of 118 fully-equipped master trainers whose skills were improved by attending PITE. The program reached 369 additional teachers from Thull, Garhi Khairo and Jacobabad, empowering schoolgirls in their regions. Student productivity has improved, and the region's literacy rate has increased to 59 percent.

A role model for hundreds of schoolgirls and teachers in her village, Farzana now holds a position of respect in her community.

Other teachers regularly approach her for advice and training.

"I am learning, re-learning and then transferring it to schoolgirls and fellow teachers," she says. "My achievement is to deliver my knowledge. It's the noblest profession."

### **Water for education**

Whether to quench thirst, wash hands, flush a toilet or shower, most people don't think about how often they need water until they don't have it. Imamzadi was well aware of its importance. She lives in Jacobabad, where drinking water facilities are uncommon. Some houses in her city receive their water supply from cans



and via donkey carts that travel from the central filtration plant on the outskirts of town — a lengthy and often unhygienic transportation process.

Each day, Imamzadi would neatly braid her hair and dress in a pristine blue, freshly ironed uniform before walking to school. There, she was disappointed to learn that not only was there no fresh drinking water, but there were no toilets she could use.

Initially, Imamzadi attended classes so that her family could receive the much-needed cooking oil ration offered to participants. However, she soon started skipping school.

“I would use the washroom in the morning at home and drink just a little water during school hours so that I didn’t have to go to the washroom again. I was always in pain,” she explains.

When girls such as Imamzadi missed classes, they fell behind in their lessons and it became increasingly difficult to

to keep these girls in school, as it was their best path out of poverty. Educated children grow up to earn higher incomes as adults, which increases their abilities to provide their families with a prosperous life and build a strong economy for their country. Further, robust economic opportunity has shown to be one of the greatest disincentives to violence and sociopolitical instability.

Land O’Lakes installed clean water points and sanitation systems that changed life for Imamzadi and thousands of girls in 24 GGPS schools in Jacobabad. All 24 of the schools were fitted to receive fresh water piped directly from the central filtration plant; 19 of them also received electric water coolers.

Imamzadi returned to school with confidence and without apprehension.

In the past, she recalls, “I would leave school with my friends to use the washroom at neighbors’ houses, and

She expresses her contentment with a glimmering smile, adding, “School is home.”

## Importance of considering gender

Understanding the interplay between gender and other underlying development challenges is critical for developing successful economic development projects, particularly in a place like Jacobabad, Pakistan, where women have historically not received equal access to education. Students and teachers such as Saba, Farzana and Imamzadi are just a few examples of the many people benefitting from Land O’Lakes’ long-standing partnership with USDA in Pakistan.

In the first year of the PFFE program alone, enrollment soared 325 percent — from 12,000 girls to nearly 39,000 — far exceeding the program’s target of having 25,000 girls enrolled by the program’s third year. Of these students, 96 percent were attending school 80 percent of the time when the PFFE effort culminated in January 2014.

Although the cooking oil-distribution efforts have now ceased, the improved educational infrastructure and empowerment of women and girls will create lasting ripple effects across Jacobabad for many years to come.

*To learn more about PFFE, visit: [www.idd.landolakes.com](http://www.idd.landolakes.com), or download the free toolkit, Integrating Gender Throughout a Project’s Life Cycle, for tips and guidelines that can help enable any international development organization integrate gender into its programming and proposal development.*

*The McGovern-Dole International Food for Education and Child Nutrition Program helps support education, child development and food security in low-income, food-deficit countries around the globe. The program provides for the donation of U.S. agricultural commodities, as well as financial and technical assistance, to support school feeding and maternal and child nutrition projects. To learn more please visit <http://www.fas.usda.gov>. ■*



*Land O’Lakes used Food for Education program funds from USDA to install clean water and sanitation systems in 24 girls’ schools in Jacobabad, Pakistan. The systems are making a big difference in the ability to attract girls to school, such as Imamzadi (above), who in the past have not been encouraged to pursue an education.*

make up the loss. Thus, they fell more and more behind, until they finally dropped out.

Land O’Lakes knew it was important

they always scolded us. It made me feel bad about myself.” Things are different now, she says. “I don’t want to miss a day at school.”



An aerial photograph of a green combine harvester moving through a lush green field. The harvester is positioned in the lower center of the frame, moving away from the viewer. The field is divided into long, parallel rows of crops. Several white birds are captured in flight, scattered across the upper half of the image. The overall scene is bright and vibrant, suggesting a clear day in a rural agricultural setting.

# The *Precision* Decision

Farm supply co-ops helping members adopt precision ag technology to boost productivity





*Using global positioning system (GPS) technology (above) helps farmers fine-tune their application strategy for seeds and fertilizer. Precision ag technology helps farmers improve crop yields while lowering their production costs and often reducing environmental impact. Photos courtesy John Deere*

**By Luke Brummel, Economist**  
CoBank Knowledge Exchange Division



Precision agriculture has been used by growers for years. However, a number of new technological innovations and sharply rising crop revenues have spurred an accelerated pace of adoption of precision agricultural practices.

The basic organizing principle behind precision agriculture in crop production is to determine the best combination of inputs (i.e., seeds, fertilizers and chemicals) and proper placement and application rates to optimize crop yields in a sustainable manner.

Basically, it's a customized prescription for increased efficiency and optimal yields.

Crop producers are relying on these finely tuned crop plans more and more with strategies being customized not only for individual farms, but also to the fields and subsections of fields that comprise those farms.

Growers today are tasked with keeping track of a variety of data points, measuring and monitoring each possible input, satellite and unmanned aerial vehicle imagery and in-field soil and tissue samples. With the success of a grower's operation strengthened by his or her ability to optimize yields, it is clear that precision agriculture will continue to shape the future of crop production.

### **A moving target**

Production agriculture has always been a complicated business. To be successful, growers have to be knowledgeable about agronomics,

financial planning, marketing and risk management. In recent years, the agronomics side of the business has become even more complicated with the surge in new precision agricultural products and best practices. Today, growers must not only keep up to date on these new products and best practices, but also hone their information technology (I.T.) skills.

With all of the new hardware and software options that are now available, end users face a bewildering array of choices. Moreover, they have to figure out how to run their day-to-day operations, analyze the massive volumes of data to optimize the operations and keep up-to-date on the expanding array of new precision agriculture options that are being rolled out. For many growers, the solution to this predicament can be found just down the road at their local cooperative.

Like their members, farm cooperatives have been engaged in different facets of precision agriculture for many years. Long ago, many co-ops started offering Global Positioning Systems (GPS) technology to allow for more efficient custom applications. Within the next few years, automated equipment functions and data-gathering monitors are likely to become "standard equipment" in many farm equipment offerings, much like air conditioning in cars and trucks.

With the proper data collection equipment in place, the next logical step is to analyze the data to figure out how to optimize yields and production. This is where many farm supply co-ops are concentrating their efforts in addressing the needs of their member-customers. Indeed, many of them have created their own precision ag programs.

Supply cooperatives aim to provide their member-customers with the same types of products, but no two precision ag programs are exactly alike. Programs range from an "a la carte menu" to a full-service approach that may include precision ag equipment sales and support, software sales and support,



crop input sales, in-season crop scouting and imagery, yield data gathering, soil and tissue sampling, data analytics and prescription, variable rate applications, and in-season fine tuning of recommendations and prescriptions.

Few growers today purchase the full service menu, but the trend is pointing in that direction.

### **Hurdles to surmount**

As commodity prices have ratcheted higher in recent years, growers have striven to become more efficient to bolster their yields. In turn, many co-ops are experiencing rapid growth in

production plan based on the data.

Traditionally, the cooperative has served as a grower's trusted advisor, advocate and service provider. Most growers are thus comfortable and secure in providing their data to the local co-op for use in developing cropping plans. But by the same token, most growers are uncomfortable and insecure in providing access to their data beyond the usual trusted sources.

Data collection can be cumbersome and time consuming when data cards are used in physically moving data to and from machines. However, data collection continues to improve

Sorting out these issues may require the use of several software programs. Skilled agronomists with information technology savvy are needed to combine the data from all the different sources and then input it into software programs in order to create prescriptions. Cooperatives are constantly trying to identify the next big technological advance and to determine how best to invest capital to derive the most value for their member-customers.

For growers who have adopted precision ag technology and practices and who have seen the value in higher

## **Many co-ops view these agronomic recommendations as the most important service that they can provide to their member-growers.**

the demand for their precision ag services, with their members moving up from the barebones minimum to more advanced programs.

Although the use of precision ag equipment and data analytics is growing rapidly, the new technology still faces many hurdles it needs to overcome.

Some challenges are tangible. They include geography, human capital, concerns about where and how to deploy resources, consumer demographics and financial resources. Other challenges are less tangible, dealing with such issues as data ownership, data collection, data aggregation, data validity and data consistency.

### **Data-centricity**

Data ownership is one of the hottest topics in precision agriculture. The crop producer is not only the primary collection agent for the data generated by his farm equipment, but also the owner of that data. Most growers today rely on their local co-ops to interpret the data and formulate a crop



*Farm supply cooperatives are increasingly helping their members adopt precision agriculture practices.*

through the use of wireless data transfer mechanisms. Supplementary data from other sources, such as satellite imagery or weather information, also have to be integrated into the mix.

Another major challenge involves data integration. The data generated by different proprietary precision agriculture platforms or systems are often incompatible with each other. One company's product offering for data recording may not interface with a certain type of software used for prescriptions or with other brands.

output and yields, these innovations and practices have become integral parts of their production plans. Having done so, however, these growers then require a complete support team that can help them interpret the data and realize the full benefits of all the software and hardware involved in implementing these plans.

Finding the right human resources with the expected expertise to facilitate grower needs is a challenge many cooperatives face.

Crop producers and cooperatives alike are trying to gauge the value added and returns from precision agriculture. It's a difficult task. After all, the best practices for production agriculture in the heart of the Corn Belt are totally different from those used by a dry land operation in the western plains of Kansas — and so are the resulting yields.

Growers situated in higher yielding areas or in areas with less extreme weather variability are making larger investments in precision agriculture

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# Utility Co-op Connection

## Carolina co-op uses USDA loan to help members conserve energy

**Editor's note:** This article was provided by Brunswick Electric Membership Corporation in Shallotte, N.C., which serves more than 86,000 meters in Brunswick, Columbus and parts of Robeson and Bladen counties in the southernmost part of coastal North Carolina.



Energy efficiency is a hot topic these days, and at Brunswick Electric Membership Corporation (BEMC),

the energy efficiency loan program is heating up, thanks to a recent loan from the U.S. Department of Agriculture Rural Development's Rural Economic Development Loan & Grant (REDLG) Program.

The second-largest electric co-op in North Carolina, Brunswick has expanded its successful 25-year old Weatherization Loan program with the additional \$2 million loan. U.S. Representative Mike McIntyre presented the check to Brunswick EMC CEO Robert W. "Chip" Leavitt, Jr., in December.

"This allows BEMC to continue to expand this successful energy efficiency loan program, an extremely popular member benefit," said Leavitt. "It's simple, it's easy and grateful folks tell us every day what a difference this program has made in their daily lives."

BEMC started its Weatherization Loan program in the late 1980s, with funding offered by the Rural Electrification Administration (forerunner of today's Rural Utilities Service). In recent years, the co-op obtained additional loan funds through REDLG to bolster this popular program. The BEMC board of directors also commits funds annually



For the co-op, the energy efficiency savings translate to reduced load and ultimate savings for all members.

to accommodate member requests for loans, with up to five years to repay.

Since 1989, BEMC has loaned more than \$11 million to its members to help make their homes and businesses more energy efficient. In the past year alone, the co-op loaned more than \$1.5 million. With this additional \$2 million in loan funds, even more members will be able to take advantage of the opportunity to save both energy and money.

### Efficiency made simple

"It is the simplicity of the program that makes it so successful," says Judy Gore, who recently retired from the

position of vice president of customer service. "It's easy to apply and easy to repay. Given the high demand for these loans and our successful track record with the program, this latest influx of funds will greatly benefit our membership."

So whether it is a loan for \$600 or \$6,000, applicants are able to tailor their loans to their energy efficiency needs. Weatherization loans are available to members who own their home and have at least two years of good credit history with the co-op. Qualified applicants are often approved for loans up to \$6,000 within 24

hours; loans of up to \$10,000 can be made for qualified businesses.

Repayment of these loans is simplified for both borrower and lender as each loan is divided into payments and repaid monthly on the member's monthly electric bill. BEMC reports a less than 0.1 percent default rate.

### Savings big & small

Even small measures to improve energy efficiency can make a big difference. A sweet potato farmer's 1,280-square-foot home in Columbus County was producing monthly energy bills that seemed higher than normal.

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# Co-ops & Community

## Portion of co-op's livestock sales earmarked to support FFA, 4-H

**By Janice Schyvinck,**  
Director of Public Relations  
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**Editor's note:** *Equity Cooperative Livestock is just one of the many hundreds of farmer co-ops across the nation that are major supporters of programs such as FFA and 4-H. Co-ops are also major sources of college scholarships, helping the children of their members and employees attend college (see sidebar, below). Many, if not most, of*

*these scholarship winners go on to major in agriculture-related subjects, helping to ensure that the next generation of farm and co-op leaders have the skills needed to keep America the world leader in agriculture.*



Last July, Equity Cooperative Livestock Sales Association created a year-long program, *A Good Way to Grow*, to promote leadership and support youth interested in agriculture.

This program began after the Equity board of directors discussed the need to become more involved in providing support, including financial assistance, for today's ag youth.

Equity Livestock, established in 1922, is a federated cooperative, with its corporate office in Baraboo, Wis. It operates 11 auction markets in Wisconsin and one in Iowa. It services producers in Illinois, Iowa, Michigan, Minnesota, South Dakota and Wisconsin.

For every animal the co-op markets

## Scholarships help students 'follow their dreams'

*Tierney Reilly*

Equity Cooperative Livestock Sales Association annually offers one college scholarship in each of its 10 districts. To be eligible, students need to have completed at least two semesters at a post-secondary college or university, or one semester at a technical school, and to have achieved a cumulative grade-point-average of 3.0 or above (on a 4.0 scale). Either the student or their parent(s) must be active members of Equity. Winners are selected based on their scholastic achievements, extra-curricular activities, an essay and dedication to a career.

The scholarships are available for all career choices, although most applicants have a strong connection to agriculture. This connection might be seen in their major and career goal, or through participation in ag-related activities, such as 4-H and FFA. Or it may simply manifest in the way the influence of students' parents – and the work ethic that comes with growing up in the ag industry – reflects in their lives and interests.

Following are brief profiles of three of this year's scholarship winners:

■ **Tierney Reilly**, from Shullsburg, Wis., is currently a junior majoring in business administration and animal science at Colorado State University. Reilly grew up showing livestock



and was heavily involved with the care of her family's flock of Hampshire ewes. "Scholarships are an immense help to students, allowing them to focus on grades, clubs and community involvement," Reilly says. Many scholarships only target freshmen, so she is very grateful to Equity for its financial support of upper classmen. Reilly hopes to work for a global agricultural company and vows to stay active in the sheep industry. She would also love to coach youth basketball, possibly at the high school level.

for one year, the board has agreed to donate 10 cents to help improve the programs and services of the Wisconsin 4-H and FFA foundations, as well as to support FFA chapters in Iowa and Illinois. As co-op patrons market their livestock through Equity, a record is kept for each animal sold. The 10 cents isn't deducted from the producer's check; instead, that amount is subtracted from Equity's bottom line to fund *A Good Way to Grow*.

Quarterly results of the effort are featured in the co-op's member newsletter, *Equity News*, and advertised through posters and check stuffers. By focusing attention as the fund reaches key milestones, the co-op is helping patrons realize that it is because of their livestock marketing through the co-op that Equity is able to make significant

contributions to these important youth programs, and to thank patrons for their support of the effort.

As of the half-way point of the *Good Way to Grow* campaign, more than \$45,000 had been raised for 4-H and FFA.

"As a livestock cooperative, we have a responsibility to support and encourage growth in agricultural organizations," says Chuck Adami, Equity's president and CEO. "We chose 4-H and FFA members as recipients of this program so we could provide our future generation with more opportunities to become active — and stay active — in agricultural related activities. Another reason we selected these groups is to give back to the many rural communities that have contributed to our growth."

The program will continue through

this June 30, with the goal of increasing resources for these worthy youth development programs. Special projects, speech contests and attendance at conferences are just a few examples of how the dollars being raised will help youth to learn life skills and gain confidence as they grow into the leaders of tomorrow.

"Equity is pleased to partner with these clubs and lend a hand in changing the lives of thousands of their members," says Adami. "Indeed, this is a good way to grow."

*The "Co-ops & Community" page spotlights co-op efforts that fulfill the mission of commitment to community. If you know of a co-op, a co-op member or co-op employee whose efforts deserve to be recognized on this page, please contact: dan.campbell@wdc.usda.gov. ■*

■ "Farming is not only important to our economy, but it's what America began with, and we need to keep it alive," says **Ashley Ainsworth**, currently studying animal science at the University of Wisconsin-River Falls. Since she was 10 years old, this Shawano, Wis., native has wanted to become a veterinarian. She plans on earning her degree and then will apply to veterinary school at the University of Wisconsin-Madison. Ainsworth would love to practice somewhere around her hometown. "I'm so grateful for scholarships like these; they truly provide students with opportunity."



Ashley Ainsworth

■ **Phillip Mercier** is currently enrolled in the Wisconsin Academy for Rural Medicine at the University of Wisconsin-Madison. "My involvement in 4-H and the local county fair helped me gain valuable skills that could never be taught in textbooks," he says. It was his rural upbringing and interaction with the hard-working farmers of New Franklin, Wis., that inspired him to go into medicine. He hopes to practice medicine in a rural area, where he can help farmers to "stay healthy and keep doing what they love most." Mercier says that would be a perfect way for him to give back to the many people who have helped him get to where he is today.



Phillip Mercier

"It's a gesture of our appreciation to reward the academic achievements of these future leaders," says Chuck Adami, Equity's president and CEO. "It is so encouraging to see the enthusiasm and fresh outlook our applicants have toward the future. Best wishes, and keep following your dreams."

— By Janice Schvinck





# 'A Trend, Not a Fad'

Growing markets for local foods  
examined during Ag Outlook Forum

**By Stephen Thompson, Assistant Editor**  
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*Eastern Market in Detroit, founded in 1891, has evolved into a modern food hub. "We see our role not as providing a gilded palace for high-end food products, but to get good food to areas that don't have good fruits and vegetables," says Dan Carmody (above), president of the market. Facility photos provided courtesy pictured co-ops; Ag Outlook Forum photos by USDA photographer Bob Nichols.*



New approaches to cooperation in promoting local foods was the theme of a panel talk at the 2014 USDA Agricultural Outlook Forum, held in Arlington, Va., Feb. 20-21. The talk, *Local Food Businesses at the Rural/Urban Interface*, was moderated by Doug O'Brien, Acting Under Secretary of Agriculture for Rural Development, who called the local food movement "a dynamic and promising avenue for economic development." The panel discussed innovative ways to promote and meet a growing demand for locally grown and processed foods, both among retail customers and large institutional buyers.

First up was Dan Carmody, president of Detroit's Eastern Market Corporation. Eastern Market was started in 1891 as a wholesale agricultural market for the metropolitan area of Detroit, Mich. Unlike most such markets, it has survived and evolved into a modern food hub, with both wholesale and retail functions.

Eastern Market operates a five-night-per-week, midnight-to-5 a.m., regional wholesale farmers' market for growers in Michigan, Ohio and Ontario (Canada) from June through November. It runs a Saturday retail market for the public, offering products from farmers, food preparers and re-sellers. Seasonally, it also runs a Tuesday retail market that has become a "lifestyle, health and fitness market," Carmody said.

"Interest in local food is not a fad; it's a trend," Carmody stressed. "Today, there are 2,400 breweries that weren't here in 1985. Small businesses can compete very effectively with big business. It's already happening in food; we just have to put it on steroids to drive economic benefits."

Carmody says the goal of Eastern Market is to become the "most robust



*Melissa Hong, left, describes how FarmLogix uses its website to connect 120 school districts and other institutional customers to a network of farmers in five states. Above, panel members, including moderator Doug O'Brien (far right), under secretary of USDA Rural Development, share their views during the USDA Ag Outlook Forum.*

and resilient food hub in the U.S."

### Ending reliance on convenience stores

Detroit's economic woes have had significant impact on Eastern Market's goals. Many Detroit residents are forced to rely on convenience stores for their regular food shopping, said Carmody. "There are plenty of places to buy food in Detroit, but very few [places] to buy produce."

He described the offerings of most local convenience stores as being primarily snack and convenience foods.

"We see our role as not providing a gilded palace of high-end food products, but to get good food to areas that don't have good fruits and vegetables," Carmody continued. "A lot of our work is taking Eastern Market to the 40 percent of our residents who can't get to the market."

One way they accomplish this is with



*Eastern Market is not only a great place to buy home-grown foods and ornamentals, but also to be entertained by down-home Michigan musicians.*



“pop-up markets,” held every week during the growing season at 19 sites around the city. Half of these markets are sponsored by corporations and health-care providers; half are in food-deprived neighborhoods and are subsidized by profits from the sponsored markets.

“Re-localizing” food systems can create desperately needed jobs, Carmody said. “What if we moved from a 3-percent market share [in Detroit] as an organic, sustainable cohort to the world of Big Food, to 20 percent? It would result in 4,700 jobs, \$20 million in state and local taxes and \$125 million in household income. It’s the equivalent of adding a major industry,” he said. Those numbers would probably be similar in many other cities, he says.

To accomplish such growth, Carmody thinks the current food distribution system has to be taken

economically hard-hit areas.

### **Number of community gardens soars**

The number of community gardens in Detroit has increased from 80 in 2004 to more than 1,400 last year. The largest 70 of these ventures have set up a cooperative business to sell at the market under the “Growing Detroit” label. Four members of the co-op have already “graduated” into their own entrepreneurial businesses. “On a busy Saturday, among 150 vendors, five of them come from Detroit,” Carmody says.

To help encourage new growers, a nonprofit, The Greening of Detroit, has developed a market garden to demonstrate how food production on just two or three acres can support one or, in some cases, two jobs.

Eastern Market also formed a

a project called Detroit Kitchen Connect which identifies unused kitchens and tries to connect them with people who want to make food products.”

In fact, said Carmody, getting the kitchen space wasn’t a problem. He found a large number of potential participants who wanted to share their kitchens. “What we found was that it was all about permitting, licensing and food-safety training. It’s not about the kitchen at all; that’s the easy part.”

Carmody spoke about how micro-grants for food growers and vendors can help get them from an “emergent” to an “accelerant” business stage and help food ventures graduate from shared-production facilities to having their own spaces.

“It took us three years to get an artisanal sausage maker from the kitchen he borrowed in a restaurant

## **The largest 70 of these ventures have set up a cooperative business to sell at the market under the “Growing Detroit” label.**

apart and put back together. The key to growing the regional food sector is to operate through more partnerships, he noted.

“We focus on processing, distribution and retailing, because that’s what we’ve been doing since 1891,” he said, adding that Eastern Market partners with others to improve productivity and waste management, as well as education to help restore the “kitchen literacy that we’ve lost over the last 30-40 years.”

Encouraging local production is an important part of Eastern Market’s agenda. Carmody cautioned that many “urban agriculture” projects in Detroit have been overhyped. Still, he says there has been huge growth in grass-roots market gardening, especially in

partnership with the Detroit Public Schools and Michigan State University to replace some of the highly processed food served by the schools with fresher, less-processed foods. The partnership has also turned the 19-acre site of a former high school into a large garden to supply produce for the schools and to foster workforce development.

Carmody sees great potential for growth in small-scale food processing and believes encouraging local food processors has the greatest job-creation potential in the regional food sector. A new building at the market will provide space for flower sellers and a business incubator for food processors.

“We didn’t wait to build our kitchen. There are many underutilized existing kitchens already,” he said. “So, we have

into his own facility. Two pizza makers wound up financing the project with \$50,000 because they got tired of waiting for the sausages to become available at wholesale. They sold out at retail each week.”

“I don’t much like the term ‘urban agriculture,’” said Carmody. “‘Urban/regional food systems’ is about that whole cycle. And we think the real sweet spot is trying to incubate and accelerate the growth of companies making unique food products.”

### **Vermont food co-op serves 7,200 members**

Hunger Mountain Co-op was established in Montpelier, Vt., in 1972. It has since grown to include 7,200 co-op members and about 160 employees.

That makes the co-op “a pretty big deal for us in Central Vermont, where our trade area has about 70,000 people,” said Kari Bradley, general manager of the co-op. “I like to say that one in ten men, women and children here is a member of our cooperative.”

Hunger Mountain is part of the “second wave” of food cooperatives that sprang up in the 1970s, like most of the 400 food co-ops that exist in the U.S. today, Bradley said. The first wave of

store. “For a food co-op, we’re a good size,” said Bradley. “But we’re small in comparison to a big-box store.” The cooperative emphasizes natural, organic and local products, defining “local food” as that which is grown, or has had value-added, in Vermont, or is produced within a 100-mile radius of Montpelier, including parts of Quebec and New Hampshire.

“Last year, we got about 31 percent of our sales from local foods,” said

don’t want to deal with a lot of small vendors. We have 400 Vermont vendors and over 2,000 Vermont-made products.”

### Co-op works closely with small vendors

This approach makes a big difference when placing and receiving orders, as well as storing them. In contrast to large grocery chains, which seek to streamline accounting, receiving and



*Hunger Mountain Cooperative generates about \$22 million in annual sales at this 19,000-square-foot store in Montpelier, Vt. “We have 400 vendors and over 2,000 Vermont-made products,” says Co-op Manager Kari Bradley (left).*

food co-ops was founded during the Great Depression as a way to lower food costs during difficult times. A third wave of co-ops began to form after the stock market crash of 2008 and is primarily focused on promoting local foods.

Hunger Mountain generates about \$22 million in annual sales from its single-location, 19,000-square-foot

Bradley. The co-op works with about 40 farms that grow produce, as well as a dozen meat and poultry farms. It is also supplied by a large number of dairy farms, most of which produce cheese, including goat cheese — which is currently in high demand, Bradley said. Micro-brew beers are also a “hot trend,” he said.

“A retail market that focuses on local food is a very different model than conventional grocery stores,” Bradley said. “If you’re focused on price, you

ordering, Hunger Mountain writes a lot of individual checks.

“In groceries, you want ‘just in time’ — nothing in the back of the store. And that’s not necessarily what small businesses want to do,” said Bradley. “They don’t want to focus their time on distribution. As a result, we tolerate a lot of ‘out of stocks,’ and work with the vendors.”

Working with vendors is a big part of the cooperative’s approach, which includes advising prospective vendors



and educating small operations about consumer preferences and taste profiles, price points and marketing. “Many small vendors started with us,” Bradley said, pointing to Annie’s Naturals, an operation that began in 1989 and now sells natural and organic products nationwide.

Bradley said that merchandising and pricing are keys to promoting small businesses that struggle to attain

stories far more effectively than we can. At any one time, we’re profiling a feature vendor, running a sale — using all the market channels. Events are huge for us, as is branding. Our store is about having a local experience.”

Dealing with many small vendors means there are pricing challenges. “Price image is always the biggest challenge for us on the retail side,” Bradley said. The store is usually

but our values are right up front.”

## Creating Jobs

The cooperative made \$6.7 million in local purchases in 2013 and paid \$5.5 million in employee compensation. “We apply the Vermont Livable Wage to all our employees,” he said. “An outside economist determined that we have created 205 jobs. We have about 50 percent more positions than a

conventional grocery. Our big strategy is to grow and take more market share, have more impact and create more jobs. We have growers who tell us that they will fill new market share.”

“The other key strategy,” said Bradley, “is the recognition that we’re not going to do it alone. We need to work with others, especially in developing the supply side of things. So we are partners in a number of different networks. Vermont has a strategic plan to double the

consumption of local foods from 5 to 10 percent by 2022.”

The co-op has created a “farm to plate” network, he added, including producers, distributors, nonprofits, educators and the state government. Hunger Mountain is also a member of the National Cooperative Grocers Association, which is increasingly concentrating on regional food as a competitive advantage for its members.

This cooperative approach is working on a regional scale, he said. The co-op is also a member of the Neighboring Food Cooperative Association (NFCA), headquartered in Shelburne Falls, Mass.

“This is the first time that food co-ops have partnered together on a regional basis,” he said. The association, which has 34 members in New England, was inspired by insight from the Brattleboro, Vt., food co-op



*Hunger Mountain Co-op takes pride not only for paying competitive prices to its farmer-suppliers, but also in paying its staff (above) a livable wage. In 2013, it provided \$5.5 million in employee compensation. USDA's Doug O'Brien (right) says cooperatives provide an effective business structure for developing local food markets.*

efficiency and scale. “We tend to give favorable pricing, although that model has some drawbacks. Eventually, small businesses have to stand on their own and compete on price as well.”

Marketing is “huge” in promoting small food businesses, said Bradley. Point-of-purchase signage, ads and food demonstrations are vital to growing market share. “A big part of what we do is telling the stories of our products,” he said. “And we find that the producers and vendors can tell their

dealing with smaller produce businesses that, in Vermont, are closed for about half the year.

“So how do you compete on price? It’s a big challenge in terms of providing access for all members of our community.” The other big challenge, he says, is making sure there’s enough product to satisfy the growing demand for local, high-quality food.

“We think of ourselves as a mission-driven business,” said Bradley. “We’re in competition with the grocery stores,

and the realization of its leaders that alone, the co-op could not deliver on its mission. Rather, “they needed to work together with other food cooperatives,” Bradley said.

“Our vision is a thriving regional economy, even beyond food,” said Bradley. “We think that cooperation will benefit the entire region. Our strategy is for networked partnerships; we’re not going to do it alone, and there are enough organizations out there aligned with us.”

NFCA seeks to develop a marketing partnership into something resembling a chain of cooperatives selling regional foods. A marketing survey found that customers were interested in products such as regionally grown chicken breasts, beans and grains, as well as frozen fruits and vegetables.

That led to a year-long “farm-to-freezer” pilot project in 2012–2013. The goal was to sell regionally grown frozen corn, green beans, broccoli and blueberries. Processing, freezing and storage/distribution were carried out by different partners.

“It was a very complex system, but that’s what it takes,” Bradley said. The major challenge was distribution.

“Running trucks around New England was a large part of the cost.” Another hurdle is raising investment capital to pay for expensive equipment; each fruit or vegetable requires a different processing machine. “One key question is: do we make the investment ourselves or partner with someone?”

The association found that the farm-to-freezer program generated significant benefits. “We started getting invitations to different conferences and calls from the press. We got interest from Whole Foods.”

The cooperative gained this important insight from the collaboration: that working with producer co-ops can generate substantial advantages. “We have shared values and a natural basis for collaboration,” he said. “If they have the ability to aggregate and bring the crop together and can bring the

## New approach to food distribution

Melissa Hong of FarmLogix LLC provided an example of how a collaborative distribution system of producer and food store co-ops might work. Headquartered in Chicago, FarmLogix specializes in distributing locally produced foods to large institutions, such as restaurant chains, hotels and school systems that “don’t have the resources to shop for food the way small restaurants can.”

FarmLogix uses a website to connect institutional customers, including 120 school districts, to a large network of farms in a five-state region. Customers choose the produce items they want, then the farmers truck their purchases to one of three warehouses, where the firm organizes the orders.

The orders are then picked up by the customers’ regular distributor for delivery. Purchases are included on the distributor’s invoice, greatly simplifying accounting for the customers. Because institutions such as school systems often have local-content reporting requirements, FarmLogix provides a monthly report detailing all purchases.

Each participating farm has a web page on which customers can order by farm or by product. The firm also gives each customer a website to make meeting reporting requirements easier.

According to Hong, this approach solves a number of problems. Distributors won’t pick up from farms, and farms can’t afford to deliver small orders. In addition, by purchasing for more than one customer, smaller customers, such as small school districts in Wisconsin, have access to lower prices by combining their orders with other similar ones.

Frozen vegetables are a big item with schools, said Hong. “We do about 5,000, 20-pound cases a month, and we’re ramping up.”

The service provided by FarmLogix to some customers, such as Chicago Public Schools, extends to helping them plan menus and source food items to take advantage of local food offerings, Hong says.

Hong also discussed a new initiative: “Whole Bird.” Schools want to use local, antibiotic-free chicken, but can only use drumsticks. But other customers can use the other parts of the bird. FarmLogix is putting together a customer cooperative agreement to commit to buying the entire bird, then dividing the parts between members.

Hong and the other panelists agreed that the first step to promoting local food sales is forming partnerships. ■

ordering together — with one point of contact between the two co-ops — it makes a lot of sense. We can make commitments to each other, plan growing seasons and share the risk.”

The next step, says Bradley, is to study collaboration with producers and determine what’s possible. NFCA will be working with Deep Root Organic

Truck Farmers Co-op Inc., which received a USDA Rural Development Value-Added Producer Grant in 2013 to help it explore the feasibility of a distribution co-op jointly owned by food co-ops and supplier co-ops.

“Should we take the next step and invest in distribution?” asked Bradley. “I think there’s a lot of potential there.” ■



# Focus on

## *Bahati Mamas Cooperative* — Somali women refugees form co-op to market produce from small farm



*Bahati Mamas Cooperative member Bahati Mohamed tends crops near San Diego. The co-op was formed to help Somali Bantu refugees market their produce locally. Photos courtesy IRC*

**By Sarah Marquart**  
Public Affairs Specialist  
USDA Rural Development/California



Many refugees that resettle in the United States struggle to acclimate to their new surroundings. Challenges are faced on all fronts — new language, new customs and even new food.

The International Rescue Committee (IRC) works closely with refugees to help with this transition and teaches them how to apply their skills in a new country. IRC is a nonprofit founded in 1933 that responds to humanitarian crises and is now working in 40 countries and 22 U.S. cities. It was through their relationship with IRC that a group of Somali

Bantu refugees reconnected with their roots and took charge of their destinies.

In the beginning, the group of 11 Somali Bantu refugee women just wanted to get “back to the land” and start farming in their new home, near San Diego, Calif., as they had in Somalia. They missed growing their own food and, more importantly, they were concerned about the physical and mental health problems they were suffering as a result of a poor diet and lack of exercise.

Through their advocacy, they helped establish IRC’s New Roots Community Farm, the first permitted community garden in urban San Diego. The farm sits on a formerly vacant, weedy and trash-filled, 2.3-acre lot. The farm has become a great success, not only for the group of Somali women, but several other refugees from around the world

who have farmed there as well.

## Co-op formed to market produce

Not long after they started farming, the Somali women wanted to begin selling some of their produce to earn extra income. IRC helped the women transition to their training farm in the rural community of Pauma Valley, just north of San Diego. It was from this land that they made their first produce sales. It was then that the new Bahati Mamas cooperative was born.

In their native language, “Bahati” means “lucky,” and all of the women felt lucky to farm again and provide nourishment to their families and neighbors. Coming from a very collectively minded culture, the decision to form a cooperative was a natural step for the women.

The Bahati Mamas grow a variety of vegetables, including those that were staples of their diet in Somalia. Their crops include collard greens, okra, cow peas and African amaranth, as well as items more popular with American consumers, such as carrots, peas and lettuce.

Collard greens, one of the co-op’s main crops, are called “sukuma wiki” in Swahili, which means “that which pushes the week forward.” The reference is to the fact that the crop

organizations, such as IRC, the Bahati Mamas are eager to stand on their own. They want to take charge of their lives and the destiny of their farm business. They have plans to manage their own customer base, sales accounts and marketing outlets.

“The Bahati Mamas want to unleash their full passion and full potential,” says Bilal Muya, IRC Farm Educator. “In doing things by themselves, they will also experience even greater freedom.”

## Co-op Center, USDA aid group

To help foster the growth and independence of the Bahati Mamas, the California Center for Cooperative Development (CCCD) began working with the co-op in 2012. CCCD used funds from USDA Rural Development’s Small Socially-Disadvantaged Producer Grant program to help the cooperative.

CCCD has helped the Bahati Mamas closely examine all the financial aspects of the farming operation, including costs, product pricing and the returns for the business, as well as their own finances as member-owners of the business. Through exercises that examine what they pay for and what IRC provides for them in services and resources, the women

better understand what they must achieve to become fully independent.

CCCD has also helped the Bahati Mamas strengthen the cooperative by establishing a decision-making process using different techniques to arrive at a consensus.

“It’s a big change from looking at farming in Somalia as a means of achieving food security to looking at it as an income-generating business in the United States,” says Luis Sierra, CCCD assistant director. “The Bahati

Mamas have what seems to

be an endless reserve of energy. They’re dedicated to making this work and that keeps us motivated, too.”

The Bahati Mamas now sell independently at two certified farmers’ markets. The co-op also successfully — and independently — made sales via a “farm-to-table” restaurant. In 2013, the co-op sold nearly \$24,000 worth of produce grown on just 2.5 acres.

For the Bahati Mamas, this is just the beginning. As one member says, “Farming is our life, and we live with the earth as it is a part of us and we are a part of the earth.” ■



Co-op member Sitey Mbere celebrates another day to bring forth food from the good earth.

is a poor person’s main source of energy throughout the week, as opposed to the meat-based proteins that are accessible to more well-to-do families.

Using resources IRC had already established, the Bahati Mamas began selling their produce at farmers markets, through Community Supported Agriculture (CSA) associations and even to local restaurants. While the co-op was finding success, the members wanted more independence.

Rather than rely on the support from grant-based





# The New Deal Co-ops

## Depression-fighting strategies involved co-ops in agriculture, utilities and health care sectors

**By Bruce J. Reynolds, Economist**  
Cooperative Programs  
USDA Rural Development



The development of cooperatives was high on the agenda of U.S. government officials for implementing President Franklin D. Roosevelt's New Deal programs during the Great Depression (1933-1942). Two general strategies for rural development were based on cooperatives.

First, cooperatives had a track-record of improving the livelihood of many farmers, and New Deal policies recognized a role for government assistance to these farmer-owned businesses with credit, research and technical assistance.

Second, there was a unique strategy of the New Deal in assisting with the organization of new cooperatives to provide rural communities with electricity, health care, housing and new community settlements for farming and subsistence-gardening. President

Roosevelt's proclivity for creating new and independent agencies to address problems of different economic sectors resulted in several different cooperative programs that were administered through these various agencies of the federal government.

A look back at how New Deal programs utilized cooperatives for economic recovery is informative when thinking about present challenges for rural development. Three sectors are selected for this historical review: agriculture, electrical utilities and health

*The child of a migratory farm worker in Tulare County, Calif., receives medical care from a staff nurse of the Agricultural Workers Health and Medical Association. The photo was taken in 1939 by Dorothea Lange. Photos courtesy U.S. Library of Congress*

care. References for this article include some authors who played an important part in the New Deal cooperatives and are discussed in a sidebar (page 25).

## Farmer cooperative programs

Assistance to farmer cooperatives was not an innovation of the New Deal, but their widespread operations throughout rural America by 1933 made them an indispensable resource for economic recovery. Federal government assistance to farmer cooperatives had been mandated in 1926 with the passage of the Cooperative Marketing Act. A Division of Agricultural Cooperation had been organized within USDA's Bureau of Agricultural Economics in 1922. The 1926 Act provided annual appropriations by Congress for research and technical assistance to farmer cooperatives by this division.

More organizational changes occurred in the U.S. government in 1929 with the agricultural depression, which presaged the outbreak of the Great Depression. The USDA division serving farmer cooperatives was transferred in 1929 to the newly created Federal Farm Board.

The Roosevelt administration abolished the Farm Board in 1933 and implemented the first programs of price supports directly to individual farmers. These were administered by USDA under the Agricultural Adjustment Act (AAA). USDA used the services of cotton and rice cooperatives to implement its program of non-recourse loan payments to farmers. The cooperatives reduced the government's administrative expenses by taking responsibility to distribute the AAA loans to their members as advance payments on their marketing pools and

provided record-keeping on storage and sales of government-owned commodities. The USDA also worked with cooperatives in implementing orderly marketing programs for several perishable commodities that required approval by producer voting referendums.

Some of the Federal Farm Board's lending programs to cooperatives were transferred in 1933 to the newly created Farm Credit Administration (FCA). A network of 12 district Banks for Cooperatives was established. In addition, responsibility for carrying out the 1926 Cooperative Marketing Act was moved to FCA. In 1934, FCA launched *News for Farmer Cooperatives*, the predecessor of this magazine.

FCA was moved to USDA in 1939. Research and technical assistance were transferred to a separate USDA agency, the Farmer Cooperative Service, when FCA became a lending system independent of the federal government in 1953. After many reorganizations over several decades, the Clinton/Gore "reinvention of government" in 1994 resulted in moving responsibility for



*The formation of utility cooperatives greatly increased the rate at which electricity service was extended to farms, such as this, and rural communities.*

cooperative programs to USDA's Rural Development Mission Area, where it remains today.

During the New Deal years, local grain and farm supply cooperatives expanded the development of regional federations for improving market access for members. In the late 1930s, the district cooperative banks of FCA, coupled with its technical assistance division, helped several local cooperatives band together to finance federated soybean and cottonseed processing cooperatives (see *Rural Cooperatives*, July/August 2012).

## Rural electric cooperatives

A major success story for cooperatives was to help bring electricity to rural America. New Deal programs established lending and technical assistance agencies to develop rural electric cooperatives. The first step was the creation of the Tennessee Valley Authority (TVA) in 1933 that built dams, public power plants and transmission lines. The Rural Electric Administration (REA) was established by executive order of the President in 1934 to provide financing for bringing electricity to all of rural America. In the following year, Congress passed the Rural Electrification Act to authorize REA annual budgets for a 10-year period.

Several years before these decisive actions, a few rural communities located relatively close to power plants had organized cooperatives to negotiate arrangements for supplying electricity to farms. Many of these efforts were not successful as indicated by the fact that the Agricultural Census of 1935 reported that only 10.9 percent of the 6.8 million farms in the United States had electricity, and most of those were adjacent to urban power grids.

The problems of earlier efforts to negotiate electricity supply agreements persisted in REA's initial efforts to involve power companies in building transmission lines into rural areas. Private power companies and municipal



utilities believed that rural electricity would be too costly and they refused to work with REA.

The TVA had organized a few rural electric cooperatives in 1934 and REA adopted this strategy. REA assisted in the development of rural electric cooperatives as the primary organizational entities to carry out power plant projects, stringing transmission lines, wiring rural homes and farms and distributing appliances to members.

During the New Deal years, the REA had a cooperative development division that, by 1940, had established more than 629 borrowing customers, most of them cooperatives. By 1980, about 99 percent of the nation's farms had electricity, mostly provided by the 985 cooperatives and associations that were financed by REA loans. By 2007, there were 854 cooperatives providing distribution and another 66 for electricity generation and transmission (<http://reic.uwcc.wisc.edu/>).

In 1933, President Roosevelt also established the Electric Home and Farm Authority (EHFA) to work with TVA and REA in negotiating rural consumer purchases of electric ranges, refrigerators and water heaters. Given the general decline in market demand, appliance makers were generally willing to negotiate bulk purchases at discounted prices. Furthermore, this program created a new market for appliance makers.

EHFA provided long-term financing of appliance purchases with installment payments applied to the consumers' monthly utility bills. Although not a cooperative, the EHFA demonstrated the advantages of centralized negotiation for appliances that would otherwise not have been supplied to the same extent if individual households had not been aggregated for bulk purchasing. As will be discussed in the next section, centralized negotiation was also essential for the rural health care cooperatives.

As electric cooperatives

demonstrated the economic feasibility of rural markets for electricity, some private companies began supplying power to areas where demand was relatively high. It is interesting to note that the initial reluctance of private power companies to work with the REA resulted in the large-scale development of rural electric cooperatives. As

Rural Electric Cooperative Association (NRECA) in 1942 to accomplish shared services and to secure congressional reauthorization of REA in 1944. As with FCA and other independent New Deal agencies, REA was moved to USDA in 1939. It was renamed the Rural Utility Service in 1994 and became a part of USDA's Rural



*A doctor writes a prescription in the clinic operated by the Taos County Cooperative Health Association in Questa, N.M., in January, 1943. Photo by John Collier*

observed by Joseph Knapp:

“By boycotting the REA, the private utilities changed the character of the organization. If they had cooperated with it, they would probably have made it into a lending agency largely subservient to their interests. By opposing it, they caused it to become a major competitor in the field of rural electrification.”

The REA and cooperatives successfully supplied electricity to rural communities that would not have otherwise occurred until many years, even decades, later for many remote communities.

Cooperatives formed the National

Development Mission Area.

### **Health care cooperatives**

From the late 19th century to the beginning of the New Deal, various mutual-aid societies were formed to provide medical care. The idea of cooperative medical care was articulated by a famous surgeon, James Peter Warbasse, who was a founder of the Cooperative League of the United States of America (CLUSA) in 1916. CLUSA was renamed the National Cooperative Business Association in 1985.

Warbasse welcomed the New Deal response to the depression, but advocated consumer cooperatives for

providing quality health care with a very limited role of government involvement. In 1933, he accepted an invitation to serve on the Consumer Advisory Committee of the National Relief Administration. In addition to advocacy by Warbasse and CLUSA, the New Deal officials were especially influenced by the example of the Farmers Union Cooperative Hospital in Elk City, Okl., in 1929.

New Deal programs during Roosevelt's first term (1933-36) included health care in some of the subsidized spending for economic relief. In 1937, a special Health Services Branch was organized within USDA's Farm Security Administration (FSA). Forming cooperatives, as in other New Deal programs, was central to the FSA's strategy for delivering health care to rural communities.

The majority of the rural population had limited access to health care before the onset of the Great Depression, which only increased the incidence of untreated illnesses and injuries. To provide health care to rural communities required bold and new approaches to the traditional fee-for-service market. FSA adopted many of the practices advocated by cooperative leaders, such as centralized negotiating of costs for specific medical services and creating a prepayment pool for covering expenses. Another cooperative medical practice that was adopted and effectively implemented by FSA was a program for preventive care.

FSA negotiated agreements with local and regional medical societies in each state, but had relatively little activity in some New England states. In most states, the chapters of the American Medical Association (AMA) were willing to work with the FSA cooperatives while some created obstacles to work around.

Prior to the FSA programs, many patients were unable to pay their doctor bills. In the new system, doctors received payments from the pooled funds of health cooperatives. When

## Finding the co-op links

The New Deal is a popular and divisive topic in U.S. history. Most of the published histories, whether pro or con, offer scant, if any, discussion of the role played by cooperatives in carrying out economic relief. This neglect reflects the focus of researchers on the long-running debate about the role of government in the New Deal that has pushed aside other topics, such as the turn to cooperatives. Some recent historians are focusing on cooperatives, such as Michael R. Grey, but most of the histories were written by individuals from the New Deal era, four of whom discussed below are inductees to the Cooperative Hall of Fame (<http://heroes.coop/archives/>).

Joseph G. Knapp (1900-1983) produced a two-volume history of U.S. cooperatives that is still the most comprehensive study available. He was one of the leading experts on cooperatives in FCA during the New Deal years. When REA initially failed to interest the power companies in partnering for rural electrification, he advised them about TVA's experience with forming electric cooperatives. Knapp went on to be the first administrator of USDA's Farmer Cooperative Service in 1953.

There was no detailed history, other than brief descriptions, of the FSA health care cooperatives until the 1999 publication of *New Deal Medicine* by physician/historian Michael R. Grey. He explored all the major archival documents related to the FSA program and is an expert on alternative methods of financing and administering health care. He briefly discusses the Farmers Union Hospital Cooperative in Elk City, Okl., but does not cover the impact of CLUSA's public advocacy of cooperative health care on the programs FSA adopted.

Florence E. Parker (1891-1974) describes several pioneering health cooperatives and CLUSA's efforts to reform various laws and government policies that obstructed cooperative care. She was a cooperative specialist with the U.S. Bureau of Labor Statistics, a CLUSA director and cooperative historian.

James Peter Warbasse (1866-1957) had a major impact by articulating the key concepts for cooperative care. His book, *Cooperative Medicine*, was published in an expanded 5th edition in 1951, but the first edition had been a CLUSA publication during the early 1930s. Although serving as an advisor to the National Relief Administration, his influence on New Deal programs may have waned due to his opposition to an expanded role of government for providing health care.

Jerry Voorhis (1901-1984) was a U.S. Congressman from California from 1937 to 1946 and was a staunch supporter of cooperatives and of the New Deal. After losing his seat in 1946 to Richard Nixon, Voorhis became executive director of CLUSA from 1947 to 1965 and served two more years as its president. He also served as a director of the Cooperative Health Federation of America and was involved in the formation of the Group Health Association of America. His book, *American Cooperatives*, covers the history of rural electrification and the cooperative health care movement. ■



charges exceeded funds available, doctors received payments on a prorated share basis. Some of the prorated billing in the initial years was covered in later years as the health of the rural populations improved from having had earlier access to care and from the impact of preventive programs.

FSA negotiated medical care rates with doctors, who were paid a fixed per-patient amount by the cooperatives. Its third-party payment system for medical care was innovative at the time and has become a common practice today. Since the payment pools were limited, doctors exercised their judgments in prioritizing the most vital treatments to be given. Although the FSA program limited the discretion that doctors have in a fee-for-service system, it provided them with stable income during the depression years.

FSA initiated the start-up of cooperatives on a community basis that involved members choosing directors and other officers to carry out the recordkeeping of member dues and payments to providers. Membership in the health care cooperatives was voluntary and required member dues, usually \$15-\$30. Such dues were often paid out of the FSA rehabilitation loans that were distributed to the rural poor.

FSA engaged cooperative members in preventive care programs and implemented a variety of safety, nutrition and sanitary projects. One of the most successful was installation of screens on windows and doors that is credited with reducing the incidence of malaria in the South. Its nutrition education program, communicated through the cooperatives, is credited with eradicating the illness pellagra. The highest participation in the FSA health care system was in 1942, when 1,200 cooperatives in 41 states that served more than 650,000 members.

With U.S. entry into World War II (WWII) in 1941, many New Deal programs received reduced funding from the government. As other countries began to establish national

health care programs during the 1940s, which the AMA opposed for the U.S., it then turned against government support for the rural health care cooperatives. Following AMA guidance, rural doctors began to demand a return to the traditional practice of fee-for-service. Lastly, the health insurance industry was developing during this period. Insurance companies began reaching into rural communities with

**The REA and cooperatives successfully supplied electricity to rural communities that would not have otherwise occurred until many years, even decades, later for many remote communities.”**

plans that aimed at middle-income families that may have otherwise continued their membership in the FSA health cooperatives. The FSA rural cooperative health care program ended in 1946.

### **Services for rural communities**

The New Deal policy-makers understood that cooperatives provide a way to establish services for the underserved and provide a “democratic voice” and local control. Under Roosevelt’s leadership, several new agencies were created that either worked with cooperatives or sought to develop them to carry out essential services and grow the economy.

Farmer cooperatives had developed in the United States during the course of several decades before the New Deal.

With the agricultural depression of 1929 and the Great Depression of 1933, programs such as FCA helped them survive in a bleak economy. By 1953, the Farm Credit System became an independent and self-financed entity that operates on cooperative principles. It is a market leader in rural finance today.

The most successful New Deal cooperatives were those that developed the rural electric industry and are today helping to bring broadband and business development financing to underserved communities. The New Deal health cooperatives did not survive the post-WWII era, but during their 10 years in operation, they delivered care to many who lacked access to it; they also initiated preventive care and third-party payment.

Cooperatives are having an impact in rural development today, as documented in a report issued by the University of Wisconsin Center for Cooperatives in 2009: the Research on the Economic Impact of Cooperatives (<http://reic.uwcc.wisc.edu/>). More opportunities remain for using cooperatives to address many lingering challenges, including climate change, resource conservation and preserving small businesses of retiring owners. In looking back at the challenges of the Great Depression, the New Deal approach demonstrated how democratically run cooperatives can supply essential services to residents of rural communities.

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By Charles Ling, Ag Economist  
USDA Rural Development

# Dairy co-ops' milk volume up, but market share down slightly



Dairy cooperative members in the United States marketed more than 160 billion pounds of milk in 2012, maintaining a dominant, but slightly lower, market share for co-ops during the five-year period between 2007 and 2012. This and other findings are the results of a survey of all dairy cooperatives conducted by the Cooperative Programs of USDA Rural Development. The survey is done every five years, with the most recent questionnaire collecting information on the milk-marketing operations of dairy cooperatives for fiscal 2012.

The 161.2 billion pounds of milk that dairy co-op

member-producers marketed in 2012 was 5.7 percent more than in 2007. This volume represented 80.9 percent of the total milk marketed by farmers nationally, a decrease in market share from 82.6 percent recorded five years earlier.

Including milk received from non-members and non-cooperative firms, total milk handled by cooperatives was 167.7 billion pounds, or 84.1 percent of milk marketed nationally — a fraction (0.3 point) lower than in 2007. Three billion pounds of the milk volume was organic milk, marketed by 24 cooperatives.

The number of dairy cooperatives during this period decreased from 155 to 132. There were 47 cooperatives that

**Figure 1—Number of Cooperatives Operating in Each Region, Member-Producers, Member Milk, and Milk per Producer, 2012**



*Editor's note: This article includes highlights from a forthcoming report, "Marketing Operations of Dairy Cooperatives, 2012," USDA Cooperative Programs Research Report 230. The full report will be posted later this spring on the USDA website at: [http://www.rurdev.usda.gov/BCP\\_Coop\\_LibraryOfPubs.htm](http://www.rurdev.usda.gov/BCP_Coop_LibraryOfPubs.htm).*



operated milk plants or receiving facilities, 10 fewer than in 2007. The other 85 co-ops had no milk-handling facilities; most of these co-ops performed bargaining functions and a few others were “check-off” co-ops that provided milk testing and other services.

### Fewer farms, more milk

The 2012 survey shows that there has been no slowing of the trend toward fewer farmers producing more milk.

In 2012, there were 41,999 co-op member-producers who marketed milk in the United States, 15 percent (7,676) fewer than five years earlier. The greatest declines were in the East North Central region (2,932 fewer member-producers), followed by West North Central region (1,995 fewer) and North Atlantic region (1,385 fewer).

The two North Central regions and the North Atlantic region together accounted for 86 percent of all member-producers, but had only 53 percent of cooperative milk volume. The South Central region had the fewest cooperative producers, being home to 1,629 members — a decline of 30 percent from 2007.

With the exception of the South Central, milk volume marketed by cooperative members in all regions was greater than five years earlier. The largest increase, up 5.2 billion pounds, was in the East North Central region, followed by the North Atlantic (1.7 billion pounds increase) and the Western region (1.3 billion pounds increase). The Western region remained the top source of cooperative milk, even though the pace of expansion there slowed down. Cooperatives in this region marketed 59.4 billion pounds of member milk — 37 percent of total cooperative milk,

compared to 38 percent five years ago.

The East North Central region accounted for 27 percent of total cooperative milk, an increase of two points from 2007. The North Atlantic and West North Central regions, respectively, supplied 14 and 13 percent of the milk marketed by cooperative members.

Milk deliveries per member-producer were up in all regions during the five-year period. Nationally, it increased 25 percent, from 3.07 million pounds to 3.84 million pounds. Per-member delivery was highest in the Western region, at 23.93 million pounds. Percentage-wise, this is a 13-percent

### Dairy co-op financial performance

Complete financial data for fiscal 2012 submitted by 89 dairy cooperatives to USDA show that:

- Total assets for fiscal 2012 were \$13.9 billion (\$10.90 per hundredweight (cwt));
- Total liabilities were \$10.4 billion (\$8.12 per cwt);
- Total equity was \$3.6 billion (\$2.78 per cwt), with 84 percent of the equity allocated to members.
- Net margin before taxes was \$285 million (22 cents per cwt), a return on equity of 8 percent.
- Together, these 89 cooperatives (67 percent of dairy cooperatives) marketed 79 percent of total cooperative member milk volume. ■

**Table 1 — Size of dairy cooperatives in terms of milk marketed by members, 2007 and 2012**

Milk marketed by members	Cooperatives		Member milk		Share of co-op milk	
	2007	2012	2007	2012	2007	2012
	—Number—		—Million pounds—		—Percent—	
More than 6 billion pounds	4	4	75,075	77,090	49.2	47.8
3 to 6 billion pounds	8	10	34,899	45,609	22.9	28.3
2 to 3 billion pounds	5	3	12,504	8,193	8.2	5.1
1 to 2 billion pounds	11	9	15,439	14,098	10.1	8.7
0.5 to 1 billion pounds	8	11	5,176	8,053	3.4	5.0
100 to 500 million pounds	32	27	6,740	5,770	4.4	3.6
Less than 100 million pounds	87	68	2,681	2,410	1.8	1.5
<b>Total</b>	<b>155</b>	<b>132</b>	<b>152,514</b>	<b>161,222</b>	<b>100.0</b>	<b>100.0</b>

increase from 2007. Increases in other regions ranged from 22 percent to 35 percent.

There were three regions in which cooperative regional share of milk decreased: South Central, Western and South Atlantic. The declines, respectively, were from 83 to 71 percent, from 76 to 72 percent, and from 94 to 92 percent.

### Slightly less dominant share of milk

As in 2007, four cooperatives each handled more than 6 billion pounds of member milk in 2012. These four co-ops accounted for 47.8 percent of cooperative milk volume in 2012, 1.4 points lower share than reported for 2007.

The number of cooperatives in the next size group (3 billion to 6 billion pounds of milk) increased by two, to 10 co-ops, in 2012. The milk volume of this group accounted for 28.3 percent of all cooperative milk, an increase of 5.4 points from 2007. This was the size group that showed the most significant increase in the share of total cooperative milk volume. Together, the 14 cooperatives that were in these two top-sized groups (each cooperative marketed at least 3 billion pounds) had a 76.1-percent share of cooperative milk.

The only other size group that showed an increase in cooperative number, milk volume, and share of cooperative milk was the 0.5-billion-to-1-billion-pound group. This group had 11 cooperatives in 2012, three more than in 2007, and the group's share of cooperative milk had a 1.6-point increase. The remaining size groups all had fewer cooperatives and lower share of cooperative milk than five years ago.

In terms of milk volume, the relative position of dairy cooperatives to the rest of the industry, though still dominant, was a little bit less. The largest four dairy

cooperatives had a two-point lower share of the nation's total milk supply, moving down from 40.7 percent in 2007 to 38.7 percent in 2012. Broadening the focus to the largest eight and the largest 20 dairy cooperatives, both groups also saw slightly lower shares of the nation's milk.

### Co-op share of dairy products

Volumes of butter and nonfat and skim milk powders increased significantly from 2007 to 2012. Cooperative share of butter, at 1,396 million pounds (a 28-percent increase over five years), was 75 percent of U.S. production, and co-op share of nonfat and skim milk powders, at 1,967 million pounds (a 36-percent increase), was 91 percent.

Cooperatives more than doubled dry whole milk production and increased dry buttermilk by more than 80 percent in five years. They marketed 68 percent of the nation's dry whole milk, up from 51 percent in 2007. Their share of dry buttermilk was 89 percent, increasing from 65 percent in 2007.

However, cheese made by cooperatives decreased by 5 percent from five years earlier, to 2,386 million pounds, which accounted for 22 percent (vs. 26 percent in 2007) of U.S. cheese production. American cheese made by cooperatives was down 11 percent from 2007, while U.S. production increased 12 percent, resulting in a lower cooperative share, 35 percent vs. 44 percent in 2007. During the same five years, cooperative Italian cheese marketing decreased by 1 percent, and cooperative share of U.S. total Italian cheese dipped two points, to 16 percent.

Cooperative production of dry whey products increased 10 percent, and their share of national production increased slightly from 42 percent to 43 percent in 2012.

### Plant operations and employees

Dairy cooperatives owned and operated 184 plants, 13 of them for receiving and shipping milk only, 32 for manufacturing American cheese, 17 for making Italian cheese, 49 for packaging fluid milk products, 24 for churning butter, 35 for drying milk products and 24 for drying whey products. Many other plants made various other dairy products or dairy-related products. (A plant may perform more than one function.)

A total of 53 dairy cooperatives reported having 22,969 full-time and 804 part-time employees in 2012. These cooperatives marketed 121 billion pounds of member milk, or 75 percent of cooperative milk.

Six other cooperatives had only part-time employees. Together, these bargaining cooperatives reported having 12 part-time employees. Twenty-one cooperatives reported having no employees (though some out-sourced work to other firms).

In total, these 80 cooperatives represented 61 percent of all dairy cooperatives and marketed 79 percent of cooperative milk. ■

**Table 2 — Share of milk marketed by members of dairy cooperatives, 2007 and 2012**

Category	2007	2012
—Percent—		
<b>Share of cooperative volume</b>		
4 largest cooperatives	49.2	47.8
8 largest cooperatives	62.3	61.5
20 largest cooperatives	83.7	84.5
All dairy cooperatives	100.0	100.0
<b>Share of total U.S. volume</b>		
4 largest cooperatives	40.7	38.7
8 largest cooperatives	51.6	49.8
20 largest cooperatives	69.1	68.3
All dairy cooperatives	82.6	80.9



## Farmers, processors work together to boost Egypt's tomato industry



*An ACDI/VOCA project in Egypt, funded by USAID, improved the capacity of smallholder producer associations to provide a large, consistent quantity of processing tomatoes. The effort surpassed nearly all of the original program goals. Photos courtesy ACDI/VOCA*

**By Kristin Witting, Senior Editor,** Public Relations & Communications, ACDI/VOCA

***Editor's note:** Since 1980, ACDI/VOCA has worked in Egypt to stimulate long-term growth by improving agricultural technologies and market information, supporting microenterprises and increasing access to credit and financial services.*



A public-private collaboration of USAID, Heinz International, ACDI/VOCA and 13 Egyptian tomato-processing companies has more than doubled Egypt's growing season for processing tomatoes. The effort has made the country a net exporter of tomato paste and established strong business relationships between processors and smallholder producers' associations.



*The tomato project helped farmers schedule their production cycles to take advantage of climatic variations between northern and southern Egypt, thereby extending the growing season from 100 days to 250 days per year.*



The Agribusiness Linkages Global Development Alliance — a USAID-funded public-private partnership designed to strengthen process-tomato production and value-added horticulture in Egypt — ended last July, having surpassed nearly all of its original program goals. These accomplishments were made even though there was a program redesign, the invasion of a new and devastating tomato pest and changes in the government.

Implemented by ACDI/VOCA, the project improved the capacity of smallholder producers' associations to provide a large, consistent quantity of process tomatoes (tomatoes grown for processing) to Heinz International and 13 domestic processors who became buyers and signatories to forward contracts with tomato growers.

### **Better varieties and farming practices**

The project, which ran for 5½ years, aimed to boost production of processing tomatoes, to introduce tomato varieties that were better suited for processing, and to extend Egypt's growing season nationwide for tomatoes and other high-value horticultural crops.

When the program began, the country had plenty of production capacity. Tomatoes are grown on more than 200,000 hectares in Egypt. But most producers were growing table tomatoes, which do not transport well and contain too much water to be used for tomato paste and other processed products.

ACDI/VOCA worked with producers' associations to introduce new high-yielding tomato varieties and other crops



grown in rotation. It also helped integrate technology into their operations and to use better farming practices, such as improved irrigation methods and post-harvest handling.

The program also helped farmers schedule their production cycles to take advantage of climatic variations between the northern and southern regions of Egypt, thereby extending the growing season from 100 days to 250 days per year. The project operated in Luxor and the governorates of Qena, Sohag and Aswan in southern Egypt, and Nubaria in northern Egypt.

As a result of this program, average tomato yields doubled from 15 metric tons per feddan (roughly equivalent to an acre) to 30 metric tons. Many farmers tripled, some even quadrupled, their yields, producing from 40 to 70 metric tons per feddan.

“We turned Egypt into a net exporter of tomato paste just by introducing proper varieties,” says Douglas Anderson, ACDI/VOCA’s regional representative in the Middle East and North Africa, who was the initial leader of the program.

### Trust created between farmers, processors

To absorb the increased production of tomatoes, the number of processors in the country grew from nine processors with a daily capacity of 2,460 metric tons to 19 processors with a daily capacity of 8,690 metric tons.

ACDI/VOCA convinced the processors to do business with producers’ associations rather than individual farmers. This reassured the processors that they could get a consistent and reliable supply. The project built trust and educated producers and processors alike on the benefits of forward contracting. These benefits include managing risk, guaranteeing inputs for both sides, and covering production costs by contracting a percentage of the

expected yield.

“Domestic processors used to run the other way because they thought they had to deal with individual farmers. We showed them how to work with the associations,” says Anderson.

Under forward contracts, the tomato-growers’ associations generally committed to supplying the processors with at least 30 percent of their total production of process tomatoes. They could then sell the rest of their crop in local markets to take advantage of any increase in the price of tomatoes, which has been historically quite volatile in Egypt.

The total net return per feddan of tomatoes increased from \$170 in 2007 to more than \$3,000 during the winter 2011/2012 season. The return was



*After meeting contractual obligations to processors, growers can sell the rest of their crop in local markets.*

nearly \$1,200 during the summer 2012 season (the large difference is a result of the wide divergence in tomato prices between the two seasons).

Alternate crops were also important to the project’s success. The program selected rotational crops that could be alternated with tomatoes but that still offer a high return on investment.

While growing tomatoes under forward contract enabled smallholder farmers to stabilize their income, growing high-value horticultural crops — such as cauliflower, artichokes, sugar beets, sesame and sweet corn for the individually, quick-frozen export markets and high-end local markets — increased their marketing opportunities and income potential.

### Looking to the future

The Egyptian revolution of January 2011 and the invasion of the tuta absoluta (tomato leafminer) pest severely impacted yields and farmers’ ability to deliver their crops. Currently, almost half of the country’s processing companies are either not working or are working at less than capacity.

Producers in Upper Egypt who previously grew processing tomatoes have switched to dual-purpose tomatoes and are concentrating on sun drying the crop. But in Lower Egypt, producers continue to grow processing tomatoes and those processors that had well-established trade channels are reporting historically high export sales for the coming season.

One thing is clear: Over the course of the project, the associations and processors came to recognize the benefits of forward contracting to better manage risk and to guarantee income and inputs for both sides. Every season that they returned to the negotiation table, their relationships grew stronger.

Despite all the obstacles, commerce goes on — farmers are growing and processors are processing.

“We demonstrated that [Egypt] has the longest pipeline of raw materials in the world. That translates into continuous processing capacity, which mitigates [the need and expense of] holding inventory,” says Anderson. “So they can compete very well. I remain convinced that Egypt has the potential to be a major player in the global tomato paste business.” ■

# Newsline

## Co-op developments, coast to coast

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

### Dairyalea members approve DFA merger

Members of Dairyalea Cooperative Inc., Syracuse, N.Y., in February approved a merger with Dairy Farmers of America (DFA). The merger becomes official on April 1, 2014, and combines Dairyalea's 1,200 members in the Northeast with DFA's 13,000 dairy farmer members nationwide.

The cooperatives have enjoyed a successful working relationship since DFA was formed in 1998. Working together, Dairyalea and DFA have created efficiencies in milk assembly, transportation and marketing, as well as joint management of Farm Services and membership operations in the Northeast.

"In many ways, it will just be business as usual as we expand upon the working relationship DFA and Dairyalea have established over the past 15 years," says Rick Smith, DFA president and chief executive officer.

Greg Wickham, Dairyalea's CEO, said the merger brings brands, plants and end products back to Dairyalea members while maintaining the values, strategic goals and vision of Dairyalea. "This merger makes sense, because DFA and Dairyalea share strategic goals, our values align, our missions are similar and our vision is the same," Wickham said. Although a national cooperative, he noted that DFA's "grassroots structure" ensures the cooperative's Northeast Area Council will maintain local governance familiar to Dairyalea members.

Dairyalea's nearly 300 employees will become employees of DFA and continue to provide service to



Northeast dairy farms out of the offices currently shared by both cooperatives in Syracuse.

In other news, family-owned Oakhurst Dairy, in Portland, Maine, has been acquired by DFA. The operation

will continue to source milk from the 70 Maine farmers who currently supply Oakhurst Dairy. Milk products will still be processed and bottled in Portland, according to a report in the *Press Herald* newspaper.

Officials say the existing 200 employees will keep their jobs. Oakhurst has annual sales of about \$110 million on a product line that includes milk, sour cream, cottage cheese, juices, egg nog, butter and buttermilk.

### Organic Valley sales hit \$928 million

Even a fire that burned down half of its headquarters in La Farge, Wis., last



*Organic Valley members saw their co-op's sales climb 8 percent in 2013, aided by resourceful employees who kept the business rolling despite a fire that destroyed much of its headquarters. Photo courtesy Organic Valley*



spring couldn't halt the growth of Organic Valley in 2013. The nation's largest cooperative of organic farmers ended its 25th year with \$928 million in sales, up 8 percent from \$857 million in 2012.

"2013 had its challenges," says George Simon, CEO (or "C-E-I-E-I-O," as he refers to himself) and founding farmer of Organic Valley. "Our cooperative spirit is what has always helped us overcome challenges. In some ways, it was fitting that we tapped into our cooperative spirit more than ever in our 25th anniversary year."

The fire last May displaced 600 employees, but no one was harmed. "Thanks to an outpouring of support from neighbors far and wide, Organic Valley was back in business the next day fulfilling orders," Simon noted. "We are incredibly thankful to the community members, volunteer firefighters and emergency personnel for their heroic efforts and on-going support."

The rebuild of the headquarters' central section was more than 90 percent complete in February, and the remaining west section was on schedule to be completed by second quarter of 2014.

Organic Valley remains committed to supporting key national causes, local organizations, schools, farmers and friends, making more than \$2.6 million in donations in 2013, up from \$2.2 million in 2012. Organizations benefitting include: Organic Seed Alliance, Seed Matters, Rodale Institute and the Environmental Working Group.

The co-op will be adding 56 new jobs this year, while membership grew by 10 farmers in 2013.

After fruits and vegetables, dairy products were the largest category of the \$29 billion organic food sector, according to the Organic Trade Association's 2013 Organic Industry Survey. Organic milk and cream sales were worth \$2.6 billion, the survey found. Sales of whole, organic milk were up 10 percent in 2013.

Co-op leaders hailed the results of a related study, conducted by Washington State University, which found that organic milk contains significantly higher concentrations of heart-healthy fatty acids.

Organic Valley farmer-owners installed seven on-farm renewable energy projects in five states during 2013. These projects produce about 200,000 kWh of clean energy annually. Organic Valley also installed a 5,000-gallon biodiesel fueling station near its headquarters for use of its local vehicle fleet.

### **CHS earns \$992.4 million on record \$44.5 billion sales**

Strong earnings on energy sales helped CHS Inc. earn \$992.4 million for 2013, its second-highest net income on record, even though down from the record-breaking \$1.26 billion earnings

was the co-op's third consecutive year of record revenues. The increase was primarily attributed to higher sales volumes within the company's energy and agriculture segments. Average selling prices increased for grain and oilseed products but declined overall in the energy segment.

"Fiscal 2013 was a challenging year for agriculture, but, once again, the strength of our diverse business portfolio, along with a strong domestic and global footprint, combined to deliver economic value for the U.S. farmers, ranchers and cooperatives who own us," says Carl Casale, president and CEO of CHS, a grain, energy and foods cooperative. "Performance for fiscal 2013, combined with several consecutive years of strong earnings, enabled CHS to invest in growing our business, to maintain a strong balance sheet and — most important — to



*Energy sales helped boost income for CHS Inc. during an otherwise "challenging year." Photo courtesy CHS*

posted for 2012. The gains from energy sales helped to offset an otherwise "challenging year in global agriculture," the nation's largest co-op said in announcing its 2013 financial performance.

CHS' \$44.5 billion in revenue for fiscal 2013 was a record, and an increase of 10 percent over \$40.6 billion in 2012, the previous record. Fiscal 2013

return direct economic value to our owners."

In fiscal 2013, based on record fiscal 2012 earnings, CHS returned "a landmark \$598.9 million in cash patronage, equity redemptions and dividends on preferred stock to its owners." Based on 2013 earnings, CHS expects to return an estimated \$433 million in cash to its owners in fiscal

## Co-op communicators to meet in Pittsburgh, May 31-June 3

*“Networking and learning opportunities unlimited!”*

“Strengthen Your Skills in the Steel City” is the theme for the Cooperative Communicators Assoc. annual institute at the Wyndham Grand Hotel in downtown Pittsburgh, Pa., May 31-June 3. Session topics cover the full gamut of skills, technologies and issues that co-op communicators need to master in order to effectively present their co-ops to their members and the public.

Owen Roberts, prize-winning agricultural journalist and a faculty member at the University of Guelph in Canada, will open the conference with his insight about the “communications skills that can help you bridge the gap of unknown waters of the current communications environment.” Understanding the perspective of reporters, editors and others in the media is essential for co-ops in getting their messages out, and Roberts will provide an insider’s view into how to better understand and deal with media “gatekeepers.”

Other sessions include: maximizing your co-op’s Internet presence through search engine optimization; taking quality photos with I-phones; writing effective columns; advertising strategies; blogging tips; Photoshop do’s and don’ts, and how to better communicate “the co-op difference” — those unique aspects of cooperatives that make them so well suited to meeting member needs — among other sessions.

Back by popular demand will be the roundtable discussion forums, during



*The Steel City will host the Cooperative Communicators Assoc. annual meeting this spring, where participants will gain skills and abilities that even the Man of Steel (mascot of the event) would envy!*

which small groups of attendees shift among various “topic tables” to share their experiences (including successes and failures) in a number of key areas. Table topics will include: getting results with press releases; using member surveys and focus groups to identify member needs; developing an annual communications plan and budget; dodging the perils and pitfalls of social media, and how to tailor CCA programs to better meet member needs.

Winners in CCA’s annual co-op communications contest will be recognized at the awards banquet, during which valuable insight from contest judges will be shared as winning entries are projected. For more details about the program and conference, including registration and hotel information, visit: [www.cooperators.coop](http://www.cooperators.coop), or call conference co-chairs Raechel Sattazahn or Alexa Stoner at (717) 796-9372.

For 61 years, CCA has been

dedicated to the concept that strong communications programs are essential for the continued success of cooperatives; the annual institute is at the heart of the effort. The conference not only provides invaluable training, but is a chance to network with other co-op communicators who deal with similar

challenges. “We share knowledge with each other so that we don’t all feel like we must constantly reinvent the wheel for every task we face,” says CCA President K.D. Bryant-Graham. “We practice the co-op ideal of cooperation among cooperatives.”

In its early years, CCA members were virtually all from farm or ag financial co-ops. But today, the members come from the entire spectrum of co-ops in North America, including utility, credit, food store, housing and other consumer co-ops, in addition to farm and ag financial co-ops.

“Many co-ops don’t have a communications specialist on staff, so they assign communications to a management staff, or support staff, member, who likely will have other duties,” Graham says. “We are sometimes asked if they too can attend the institute. The answer is, yes! They should reap a great deal of benefit from attending, as will anyone involved with a co-op.”

“There will be networking and learning opportunities unlimited!” adds Stoner. ■



2014. That will bring cash returns generated by earnings in fiscal years 2009 through 2013 to an estimated \$1.9 billion.

The severe drought that affected U.S. crops in 2012 resulted in reduced export margins for CHS grain marketing and contributed to an earnings decline of 39 percent from fiscal 2012 for the company's ag segment. The CHS wholesale crop nutrients business also reported lower earnings, primarily due to lower product margins and costs associated with a feasibility study under way on a proposed nitrogen fertilizer manufacturing plant.

The CHS Country Operations business — primarily local retail operations — also experienced decreased grain margins in fiscal 2013. But overall, it reported one of its best years on record. CHS processing and food ingredients business also reported lower earnings.

Combined earnings for CHS' insurance, risk-management and financing businesses were flat in fiscal 2013, compared with 2012. Earnings increased from the co-op's 50-percent ownership of Ventura Foods LLC, a vegetable oil-based food manufacturing business, and its 24 percent share of Horizon Milling LLC, the nation's leading wheat miller. Both joint ventures reported earnings increases in fiscal 2013 vs. 2012.

### **Aurora Co-op, CHS building shuttle loader in Nebraska**

Aurora Cooperative and CHS Inc. have announced a joint plan to build a high-speed grain shuttle loader near Superior, Neb. The two co-ops have formed Superior East LLC to operate the facility, which will take about 12 months to build. The facility will have a 1.25-million bushel storage capacity and a 120-car capacity circle track on the BNSF rail line.

The facility will move corn, soybeans and hard red winter wheat to markets in the West and South, including Mexico. The location will also provide a grain

ground-piling system, as well as 10,000-ton liquid fertilizer storage.

Superior East is a 50/50 joint venture, with a governing board comprised of representatives from both CHS and the Aurora Cooperative. The multiplex will be operated by the Aurora Cooperative.

Superior East LLC was formed under the recently introduced CHS Partnered Equity Program. This first-of-its-kind program allows CHS owners to unlock a portion of their equity in CHS to provide capital for an expansion project. Cooperatives participating in the program can use a portion of their CHS equity as a contribution to a venture with CHS focused on helping their cooperative grow. Eligible projects include shuttle loaders, fertilizer hub plants, energy assets and other growth opportunities.

"By using a portion of our CHS equity along with additional CHS

capital to build a next-generation ag multiplex, we will be able to provide the Aurora Cooperative farmer owners in southern Nebraska and northern Kansas additional access to world grain and fertilizer markets via the BNSF rail system," says George Hohwieler, Aurora Cooperative president and CEO.

"The goal of the program is to help our owners grow by providing strong cooperatives like Aurora the opportunity to unlock a portion of their equity in CHS for projects that directly serve their farmer-owners," adds Lynden Johnson, business solutions executive vice president at CHS.

In other news, Aurora Cooperative reported sales and other income of \$1.1 billion for fiscal 2013. Total earnings reached \$29 million and farmer-owner equity in the co-op grew to \$159 million. All these numbers are records, or near-records, the company

## **And the Real Winner is: DairyUS!**

After a nationwide vote, a new cartoon character helping to build awareness of the advantages of real dairy foods has a name: DairyUS. The National Milk Producers Federation (NMPF) announced the winning entry in its name contest during its annual meeting in November.

The animated character, modeled after the iconic REAL® Seal logo, will help a new generation of consumers identify genuine U.S. dairy products. A video announcing

the name is on the REAL® Seal website homepage.

NMPF, which represents cooperatives that produce the majority of the U.S. milk supply, designed the cartoon character after assuming management of the REAL® Seal last year. The new animated icon is part of an effort to revitalize the seal, which was created in the 1970s and is already used on more than 10,000 food products. ■



announced. Payments to farmer-owners will exceed \$2.5 million in patronage and tax-free equity revolvment.

Just 11 years ago, the co-op's sales were only about \$200 million, Board Chairman Bill Schuster said at the co-op's annual meeting. That rapid growth necessitated spending \$11 million for a new corporate headquarters. The company employs 650 people at 72 facilities in Nebraska, Kansas, South Dakota and across the country.

## Fenner to succeed Taylor at MFA Oil



Jerry Taylor, president and CEO of MFA Oil, Columbia, Mo., will retire Aug. 31, although he will remain with the co-op to lead MFA Oil's investments in MFA Oil Biomass, AgFuel Energy Systems and WasteWater Logic. Mark Fenner, currently the co-op's chief operating officer, will assume the role of president and CEO on Sept. 1. The farmer-owned cooperative, owned by more than 40,000 member-producers, had sales of \$1.3 billion in 2013.

Taylor, who has been the company's president and CEO since 2003, started working with MFA Oil in 1982 as a consultant, having developed a chain of convenience stores. In 1988, Taylor became an employee when he was named director of marketing. In 1991, Taylor was named vice president of sales and other vice president-level posts followed.

Taylor serves on the boards of the MFA and MFA Oil Foundations. He also serves on the board of the National Cooperative Refinery Association and Mid America Biodiesel, in which MFA

Oil has an ownership stake.

Fenner was selected as the next CEO, supported by Taylor's strong recommendation. Fenner joined MFA Oil in 2012 as a chief operating officer and has been responsible for overseeing the day-to-day operations of the refined fuel, propane, Petro-Card 24, American Petroleum Marketers, Break Time and Jiffy Lube operations.

Since Fenner joined MFA Oil, much of his focus has been on the growth of company operations. During the last 18 months, MFA Oil has added more than \$100 million in sales through acquisitions and has expanded the co-op's "footprint" into Nebraska, North Carolina, Wyoming and Virginia.

Prior to joining MFA Oil, Fenner served as the national account director for the south region for Cenex Harvest States (CHS), which generated more than \$8 billion in revenue. Before that, Fenner worked for Country Energy LLC and Farmland Industries in various leadership and sales capacities. Fenner earned a BS in Agricultural Economics from the University of Missouri-Columbia in 1985.

"Mark has a long history of building sales for cooperatives in the energy field," says Taylor. "His knowledge, industry experience and leadership will continue to be a great asset to MFA Oil. His decisive leadership, personal style and experience uniquely qualify him to step into this role in September."

## NCB commits \$379 million to serve low-income communities

National Cooperative Bank (NCB), a leading financial services company dedicated to providing banking products to cooperatives nationwide, committed \$379 million to initiatives serving low- and moderate-income communities during 2013. The resources were deployed in the following sectors:

- Housing — \$258.7 million for housing cooperatives, mortgages, co-op share loans and affordable housing initiatives nationwide.
- Business cooperatives — \$37.3

million to support independent business owners.

- Healthcare — \$14.5 million to preserve and expand affordable healthcare.
- Community development and expansion — \$43.1 million to finance community organizations focused on economic development.
- Small business — \$8 million to support small businesses, including participation in the U.S. Small Business Administration loan program.
- Investments and Grants — \$1.8 million to support entities serving low- to moderate- income communities.
- Renewable Energy — \$15.6 million to fund solar energy system serving low- to moderate-income communities.

"In 2013, we set new records in lending activity to low- and moderate-income communities and are proud to have expanded our support of new cooperative development by \$17 million, a 64-percent increase from the



previous year," says Charles E. Snyder, NCB president and CEO. "As a mission-focused institution, we have an uncommon mandate to ensure our efforts benefit those most in need, and we're committed to dedicating even more resources to these communities and cooperative expansion initiatives in the coming year."

## Brenner new CEO of Countryside Co-op

Frank Brenner has been named as the new CEO of Countryside Cooperative, Durand, Wis., effective May 12. Brenner has been serving as CEO/general manager of the Central Wisconsin Cooperative in Stratford.



That co-op's products and services are similar to those of Countryside Cooperative, including: animal feed production, grain marketing, agronomy, bulk fuels and propane, convenience store, tire center and country store.

Brenner graduated from the University of Wisconsin-Stout with a major in business administration and a minor in marketing. In 1982, he became a sales consultant for the Stratford Farmers Cooperative, focusing on feed, agronomy and petroleum. In 1985, he became the office, credit and operation manager, which he held until becoming the assistant manager in 1990, rising to general manager in 1993.

"Frank is an industry leader, focused on providing real value for our members and promoting our excellent team of employees," says Countryside Cooperative Vice President John Creaser, who chaired the recruitment process. Brenner was born in Durand, graduated from the Mondovi High School and says he is "extremely happy to return to his roots."

### Land O'Lakes' record year yields 30 percent boost in cash to members

Land O'Lakes Inc. had record annual sales of \$14.2 billion in 2013, up 4.4 percent from the prior year, as well as record net earnings of almost \$306 million, a 27-percent increase over the prior year. The strong 2013 results continue a trend of significant growth during which the farmer-owned food and agriculture cooperative has more than doubled annual sales and grown net earnings by more than 330 percent over the last seven years.

"The record-setting year in Dairy Foods combined with the continued strong performance of WinField exemplify our commitment to delivering the products, programs and services that provide the greatest value for our customers and members alike," says co-op president and CEO Chris Policinski.

A record return of \$147 million to

members will be made to members, representing a 30 percent increase in patronage compared to 2012. This is the fifth consecutive year that cash to members has exceeded \$100 million, bringing the seven-year total to more than \$750 million.

A number of strong performances across Land O'Lakes' core businesses drove the favorable year-end results including:

- Dairy Foods — There was 101 percent growth in pretax earnings;
- Crop Inputs — Greater than \$200 million in pretax earnings were achieved for the second consecutive year, and
- Feed — Sales increased 12 percent in feed for "companion animals," and grew by \$25 million for "lifestyle feed," compared to 2012.

"Our strategic direction is clear: deliver strong financial performance while continuing to enhance our capabilities for future growth," Policinski says. "We will continue to make strategic investments in our core businesses — from agriculture to animal

nutrition to the dairy case."

### Polidoro succeeds Leonard at ACDI/VOCA

Bill Polidoro was named in January as the new president and CEO of ACDI/VOCA, a nonprofit international development organization that currently has about 60 projects in 30 countries. He succeeds Carl Leonard.

Polidoro joined ACDI/VOCA in 2005 as senior vice president for special projects, rising to chief operating officer in 2006. Prior to that, he worked for Pact Inc., an economic development organization with projects in 30 countries, where he served as director for the Africa region.

"Bill's in-depth knowledge of our organization, proven track record and profound understanding of the competitive environment will be of tremendous value as ACDI/VOCA builds upon its success in recent years," says ACDI/VOCA Board Chairman Mortimer Neufville.

The ACDI/VOCA board of directors expressed gratitude to Leonard for his leadership the past 8½ years. "Carl has been an outstanding leader of ACDI/VOCA, seeing the organization through challenging transitions, but also through a remarkable period of growth," says Neufville.

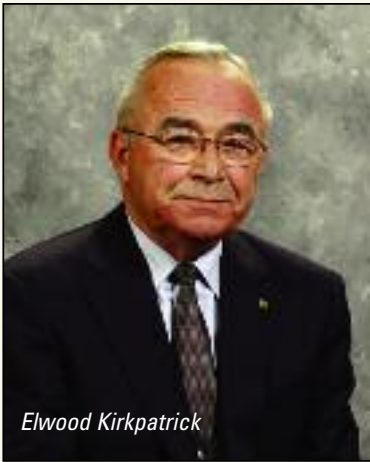
Polidoro earned his doctorate in development anthropology at the American University, in Washington, D.C. He worked in Guinea for USAID as a personal services contractor, managing an integrated natural resource management (NRM) program. Subsequent assignments — with Pact, Datex and Development Assistance Corporation — included strengthening public administration, agricultural marketing, NRM and environment programs, and livelihoods and civil society development, including community responses to HIV/AIDS.

ACDI/VOCA has also announced the appointment of Drew Luten as senior vice president for global risk management. Luten spent more than 20



*The Dairy Foods division of Land O'Lakes enjoyed a 101-percent jump in pretax earnings in 2013.*

## Kirkpatrick saluted for dairy vision



*Elwood Kirkpatrick*

For his efforts to boost U.S. dairy exports and his other work to promote dairy products, Elwood Kirkpatrick, former president of the Michigan Milk Producers Assoc. (MMPA), has been presented with the Richard E. Lyng award by the National Dairy Promotion and Research Board (NDB).

Kirkpatrick was a driving force behind the creation of the U.S. Dairy Export Council (USDEC), serving as its first chairman. USDEC has been a vital component in the growth of U.S. dairy exports from 3 percent to 15 percent of

annual U.S. dairy sales. Kirkpatrick was also recognized for the major role he played in the formation of Dairy Management Inc. (DMI) and Cooperatives Working Together (CWT).

The Lyng Award honors dairy industry leaders who have made a significant contribution to dairy promotion for the benefit of the entire industry. The award is named for former U.S. Agriculture Secretary Richard E. Lyng, who played a key role in implementing policies that led to the establishment of the NDB 30 years ago.

“Elwood Kirkpatrick served the dairy industry for nearly 30 years, playing an instrumental role in domestic and international dairy marketing,” says Steve Maddox, California dairy producer and outgoing NDB chairman. “Elwood’s contributions brought efficiencies to producer investments in promotion and found new markets for our products that are still making a difference today.”

Kirkpatrick was president of MMPA from 1981 to 2007 and served on the executive committee of the National Milk Producers Federation (NMPF) for 23 years, including as vice president from 1983-2003.

In the late 1980s, he helped lead the charge to unify the promotion and marketing efforts of the U.S. dairy industry, bringing together the activities of the United Dairy Industry Association and the National Dairy Board through the formation of Dairy Management Inc. This saved American dairy farmers millions of dollars and created a more effective national dairy promotion program. Through his leadership role at NMPF, Kirkpatrick helped build the framework for the Cooperatives Working Together (CWT) program, which also promotes dairy exports.

“It wasn’t always easy to convince people to join USDEC,” Kirkpatrick says. “At the time, surplus products were going to the government so not everyone believed we needed to build exports. It took a lot of meetings and a lot of conversations, but we got it done.”

Since retiring as MMPA president in 2007, Kirkpatrick and his wife, Michelle, moved back to their home farm in Kinde, Mich. As part of the Lyng Award, NDB will contribute \$2,500 to the Elwood Kirkpatrick Dairy Science Research Fund at Michigan State University. ■

years with the United States Agency for International Development (USAID), where he led the Bureau for Management, which was responsible for world-wide agency management, information technology and procurement systems, staff and operations. He also led USAID’s Bureau for Europe and Eurasia, supporting economic, governance and social transition in 23 countries in Europe and the former Soviet Union.

Luten is a graduate of Harvard Law School and William Jewell College. He began his career in private practice with a major U.S. law firm.

## Frontier Cooperative, Husker Co-op merge

Two Nebraska farmer cooperatives — Frontier Cooperative Co. in Brainard and Husker Co-op in Columbus — have merged. They will now operate as Frontier Cooperative Co. Ballots were cast in September, with 530 Husker members (44 percent of the total membership) voting in favor of the merger, while 120 voted against it.

The merger was bolstered by desires to “maintain pace with customers’ changing demands for quality products, services, resources and facilities,” co-op leaders say. The consolidation of the co-ops will help improve and expand services in order to meet the present and future needs of producers. The co-ops had 1,300 patrons in common, which made the merger “an even better fit.”

The co-op is currently expanding its grain elevator at Osceola, and there are plans for further expansion and upgrades, including an agronomy expansion in North Bend and grain expansion in Silver Creek. Following the merger, Frontier Co-op will operate in 22 locations serving east-central Nebraska.

## Leslie Mead to lead CDF

The Cooperative Development Foundation (CDF) has named Leslie S. Mead as executive director. Mead has



30 years of experience with cooperative organizations, most recently serving as president of The Cooperative Foundation, a private foundation based in St. Paul, Minn.

Through her leadership, The Cooperative Foundation was an early supporter in the emerging worker cooperative field. The Cooperative Foundation is also the primary funder of the National Cooperative Education Inventory and Needs Assessment being conducted by Southern New Hampshire University.

“Leslie’s experience with foundations, nonprofit boards and the cooperative community is a perfect match for the needs of the Cooperative Development Foundation,” says CDF Board Chair Gap Kovach. “We are very fortunate to have someone with her experience and skill set to lead the work of CDF.”

Mead began her career with the National Council of Farmer Cooperatives, rising from assistant general counsel to the positions of vice president for legal, tax and accounting policy and vice president for education. She also served as the executive administrator of the Association of Cooperative Educators, an international organization of cooperative educators and developers.

She holds a Bachelor of Arts degree in journalism from Drake University in Des Moines, Iowa, and law degree from Indiana University School of Law-Bloomington.

CDF’s mission is to promote community, economic and social development through cooperative enterprises. For more information, visit: [www.cdf.coop](http://www.cdf.coop).

In other CDF news, the board has approved a disaster grant of \$5,000 to help Co-op Natural Foods, Sioux Falls, S.D., recover from fire damage.

### CDI expands product portfolio

Building upon a successful powdered milk and butter export business, California Dairies Inc. (CDI) has

diversified its butterfat offerings with the addition of anhydrous milkfat (AMF) for export. CDI says this move demonstrates the co-op’s progress in achieving its vision to become the leading source of dairy nutrition for a healthy world.

AMF is 99.8 percent pure butter oil. Packaged for commercial use as a food ingredient, AMF has an extended shelf life and is an excellent form for storage and transportation of butterfat. CDI, headquartered in Visalia, Calif., is the second largest dairy processing



*Barrels of anhydrous milkfat are prepared for shipment at a California Dairies Inc. (CDI) processing plant. Photo courtesy CDI*

cooperative in the nation.

“Expanding CDI’s product portfolio to include AMF is a natural fit and increases our presence in the global marketplace,” says CEO Andrei Mikhalevsky.

In other CDI news:

- The co-op will increase its processing capacity with the addition of a third evaporator at its Visalia plant. The largest capital project undertaken since the Visalia plant was built in 2007, the new evaporator will increase CDI’s ability to meet tight export specifications on value-added milk powders.
- David Camp has been named as senior vice president and chief financial officer (CFO). Camp, a

certified public accountant, joins CDI with nearly 25 years of leadership experience as a CFO and controller. He was most recently with Roll Global LLC, a globally integrated private farming and consumer-packaged-goods enterprise, where he was the vice president and group controller. Camp has a BS in accounting and finance from the University of Cincinnati.

### Record sales, patronage for United Farmers

During its annual meeting in York, Neb., United Farmers Cooperative (UDC) announced that it had record sales of \$708.7 million in 2013. Board Chairman Doug Moon reported that the co-op had profits over \$14 million for the fiscal year that ended July 31.

CEO Carl Dickinson said the cooperative’s continued focus on being early adopters of emerging technologies will deliver improved efficiencies and greater profits to its producer owners in the immediate future. “Your cooperative has generated value creation of more than \$50 million over the past four years in the form of cash returned to members and increased net worth,” Dickinson said. He noted that the co-op had total patronage dividends of \$6.6 million in 2013, “of which \$3.7 million (56 percent) is being distributed to our members in cash. Total cash returned to the members this year is a record \$6.2 million.”

The net worth of the co-op increased to \$83 million, “with more than \$33 million in working capital available to assure efficient operations, invest in equipment and facilities, plus respond to new opportunities as they arise in the marketplace.”

United Farmers Cooperative, headquartered in York, currently operates in 32 locations across central Nebraska and northern Kansas. UFC was established in 2001 and offers a full range of services in agronomy, energy, feed and grain. For more information, visit: [www.ufcoop.com](http://www.ufcoop.com). ■

## Commentary

*continued from page 2*

in rural areas, the U.S. Census Bureau currently does not capture information on all types of cooperative businesses.

The Farm Bill provides support for the collection of this information by reauthorizing the cooperative research

program that is currently underway at the University of Wisconsin Center for Cooperatives, where researchers are focused on the economic effects of cooperatives. The continued efforts by the center, combined with the role of the interagency working group, will certainly further the progress of achieving this important research need.

While it took some time to get

passed, the cooperative sector should be excited about the development programs and opportunities that were outlined in the Farm Bill. With cooperation between the federal government and the cooperative community, and Congressional funding, the future looks bright for the advancement of cooperatives. ■

## The Precision Decision

*continued from page 10*

technology inasmuch as the rates of return on those investments are correspondingly higher.

From the co-op's perspective, the one who holds the data and can use it to produce valuable, effective crop plans will own the customer relationship. Many co-ops view these agronomic recommendations as the most important service that they can provide to their member growers.

### Looking forward

Precision agriculture is helping producers to become better, more

efficient farmers. Going forward, as agricultural markets transition to a "new normal" with lower commodity prices, growers will have to become more efficient in order to protect their margins. Precision agriculture will help them to do so, and the new precision technology and innovative agronomic practices will be adopted by more and more growers who already have the supporting equipment on hand.

At the same time, the accelerating pace and breadth of adoption of precision agriculture have the potential to transform the supply chains for the full gamut of crop inputs, including seed, fertilizer, chemicals, etc. The supply chains connecting manufacturing, distribution, retailing

and applications could realign dramatically, both within and across the input channels that currently operate. And herein lies one of the biggest potential uses and benefits of "big data" within the agricultural sector.

Precision agriculture will also begin to play an increasingly important role in the assessment of sustainability and traceability. Growing concerns about the safety of the nation's food supply and the sustainability of its natural resource base will be increasingly interrelated with precision agriculture and its ability to provide hard data to address the issues of traceability and sustainability. In the process, the related issues of data ownership and access will also grow in intensity. ■

## Utility Co-op Connection

*continued from page 11*

He used his 5-percent-interest Weatherization Loan to purchase insulation for his walls and ceilings. By the time it was installed, he says he could already see a reduction in his next electric bill. "Every little bit helps during these times, doesn't it?" he says.

The program also benefits members as they make upgrades to their homes with modern, more energy-efficient equipment. Beyond that, members' savings continue for the life of the energy efficiency improvement, perhaps 10 to 20 years, or even more. A retired

airline pilot in Brunswick County replaced his inefficient heat pump in his 2,450-square-foot home. He says the energy savings he now sees on his bill are often enough to cover the monthly loan payment. Other project options he had considered were duct repair or new thermal windows and doors. "But the next Weatherization Loan we take out will likely be for a new solar water heater," he adds.

Justin Fulford, of Al Fulford Heating & Cooling in Supply, N.C., says his company has seen a steady stream of improvement projects like these that help keep his employees busy year round. Projects such as new energy-efficient heat pumps and electric or solar water heaters are the most

popular. Fulford will routinely ask customers if they are members of the cooperative. "I tell them, if you're a member of BEMC, then you've got access to a low-interest loan from the co-op. It's a win-win situation." Helping to improve the lives of those they serve comes full circle at Brunswick EMC. For the co-op, the energy efficiency savings translate to reduced load and ultimate savings for all members. With both the opportunity to make more loans to members and to help create and keep jobs in the community, the ripple effect of the Weatherization Loan program only adds to the value and benefit of being a co-op member. ■



# Tune up your CO-OP



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

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



## Cooperative Statistics 2012 (SR 74) (Web Only)

How well does your co-op measure up in comparison with others? This report helps you find out. A wealth of detailed information about 2012 including co-op assets, financial ratios, balance sheets, and income statements for various commodity sectors help you evaluate your own co-op's performance.



## Understanding Cooperative Bookkeeping and Financial Statements (CIR 57)

All co-op board members should understand bookkeeping and be able to read financial reports. This guide provides the basics in bookkeeping and cooperative financial statements.



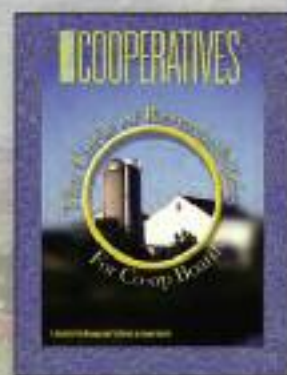
## The Role of Food Hubs in Local Food Marketing (SR-73)

Consumers are willing to pay a premium for locally produced foods. But producers are often handicapped by the lack of locally based distribution systems. The food hub is one collaborative distribution system for local and regional food that shows great promise. This report presents an overview of the myriad issues facing food hubs across the United States.



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

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



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

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



Is your cooperative delivering maximum performance for its members? To help ensure that it's "firing on all cylinders," request copies of any of the publications on these pages. Or download them from the Web. Either way, there is no cost.

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**Cooperative Employee Compensation (RR-228)**

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



**Guide to Designing Benefit Packages for Cooperatives (SR 36)**

Attracting and keeping productive employees is a major challenge for co-ops. Here's a guide to building compensation packages that help do that while keeping the balance sheet in the black.



**Managing Your Cooperative's Equity (CIR 56)**

Do you manage your co-op's equity, or does it manage the co-op? Here's a guide to more effectively managing equity capital while adhering to cooperative principles.



**Annual Audits – Board Responsibilities (CIR-41)**

Directors, managers, and advisers of new and developing cooperatives need to be well informed about the importance of an annual audit. This publication summarizes information concerning audits and reviews of accounting systems in four areas: (1) Reasons for an audit; (2) auditor selection; (3) audit procedures and audit report; and, (4) other accounting services.



**Base Capital Financing of Cooperatives (CIR 51)**

Successful management of equity requires a responsive and objective capitalization program. A base capital plan is an ideal way to meet this requirement. This guide provides information on the benefits of the base capital method of capitalization, and guidelines for implementing and operating such a plan.



**Inventory Management Strategies for Local Supply Cooperatives (SR 41)**

Presents vital strategies for farm supply cooperatives to use during everyday management of inventory. Can help co-op managers make better inventory management decisions by using those strategies as part of an organized plan.



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