Rural COOPERATIVES

January/February 2017

Have Bog, Will Travel

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AG CO-OPS' $212 BILLION FOOTPRINT

2015 Co-op Statistics Report Now Available From USDA

This report presents an in-depth look at the enormous impact ag co-ops have on the nation's economy. The sector-by-sector analysis and trends tracked can be used by co-op managers and directors to gauge the performance of their operations.

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Features

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

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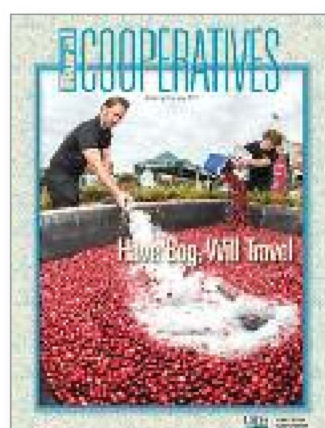
Departments



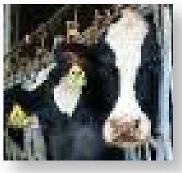
ON THE COVER: Just add water: Co-op employees put the finishing touches on Ocean Spray's traveling cranberry bog being set up at the USDA farmers' market in Washington, D.C. Article begins on page 18. USDA photo by Lance Cheung

Co-op Sales, State by State

Minnesota, Iowa lead states for ag co-op business volume

By James Wadsworth, Huu Hoang, Charita Coleman, Judith Rivera

Editor's note: Wadsworth and Hoang are USDA economists; Coleman and Rivera are support staff members. This article is based on a state-by-state analysis of USDA's 2015 survey of farmer, rancher and fishery cooperatives. See "Cooperative Statistics, 2015" (USDA Service Report 79) for a wealth of additional information compiled from the survey. The full report is posted on the cooperative publications website at: www.rd.usda.gov; for a free hard copy, send request to: coopinfo@ wdc.usda.gov or call 202-720-7395.



Minnesota was the nation's top state for business volume conducted by agricultural cooperatives during 2015. Based on USDA's annual survey of cooperatives, 207 Minnesota ag cooperatives reported conducting $25.7 billion in gross business from marketing farm commodities, selling farm supplies or providing services, or a combination thereof (see Table 1 and Figure 1). Iowa ranked second for ag co-op business volume, with 115 ag co-ops that did $20.4 billion in business during 2015.

Of the $212.1 billion in gross business volume received by ag co-ops nationwide, Minnesota and Iowa accounted for 21.7 percent of it. These were also the top two states for ag co-op business volume in 2014.

Illinois has risen to become the third-ranked state for co-op business volume, with 123 ag co-ops recording $15.9 billion in gross business in 2015. Wisconsin was fourth, with $13 billion generated by 101 co-ops. California was fifth, with 127 ag co-ops conducting $12.1 billion in business. These three states together represented 19.3 percent of the nation's co-op business total.

Table 1

Cooperative business volume of products marketed, supply sales and service receipts, by state, 2015

State	Gross volume of products marketed	Gross sale of farm supplies	Total gross sales	Service receipts & other income	Gross business volume	Business between co-ops	Net business volume	Co-ops doing business in state
Alaska	12.22	117.55	129.76	2.12	131.88	41.32	90.56	10
Alabama	411.39	414.94	826.33	28.66	854.99	103.16	751.84	57
Arkansas	1,759.21	782.70	2,541.91	98.55	2,640.46	238.48	2,401.98	47
Arizona	965.76	75.44	1,041.20	17.78	1,058.98	107.17	951.81	26
California	10,807.85	1,052.52	11,860.37	201.46	12,061.83	1,295.81	10,766.02	127
Colorado	689.54	1,270.23	1,959.76	79.82	2,039.59	797.07	1,242.52	44
Connecticut	430.21	38.88	469.09	0.21	469.29	7.72	461.58	14
Delaware	25.09	134.85	159.94	0.44	160.38	33.30	127.07	8
Florida	1,571.19	368.98	1,940.17	72.67	2,012.84	806.24	1,206.60	47
Georgia	469.42	1,274.08	1,743.49	4.78	1,748.27	543.98	1,204.29	34
Hawaii	12.82	8.18	21.00	2.37	23.37	1.60	21.77	17
Idaho	1,455.36	1,152.91	2,608.27	25.87	2,634.14	1,159.80	1,474.34	41
Illinois	7,269.18	8,215.36	15,484.54	451.89	15,936.43	2,171.17	13,765.26	123
Iowa	11,049.28	8,603.28	19,652.56	698.08	20,350.63	2,009.87	18,340.76	115
Indiana	1,377.65	3,609.71	4,987.36	145.83	5,133.18	1,307.31	3,825.87	50
Kansas	5,465.90	3,832.32	9,298.23	320.12	9,618.34	1,708.96	7,909.39	113
Kentucky	664.81	853.80	1,518.61	10.59	1,529.20	199.08	1,330.12	33
Louisiana	1,674.78	296.64	1,971.42	(10.57)	1,960.85	82.25	1,878.60	48
Massachusetts	449.88	48.61	498.48	(4.16)	494.32	215.23	279.09	17
Maryland	438.66	317.32	755.98	1.04	757.02	140.66	616.35	21
Maine	172.90	34.60	207.50	0.18	207.68	4.57	203.11	26
Michigan	3,267.90	1,422.18	4,690.07	76.90	4,766.97	812.75	3,954.22	62
Minnesota	18,679.52	6,360.40	25,039.92	623.97	25,663.89	3,352.57	22,311.32	207
Missouri	6,381.54	3,812.72	10,194.26	275.21	10,469.47	1,612.24	8,857.23	89
Mississippi	1,019.81	279.44	1,299.25	105.08	1,404.32	80.21	1,324.11	62
Montana	990.24	1,955.67	2,945.91	33.19	2,979.10	662.71	2,316.38	55
North Carolina	561.26	391.27	952.53	5.87	958.41	140.55	817.85	25
North Dakota	5,743.81	3,789.39	9,533.20	185.50	9,718.71	818.99	8,899.71	161
Nebraska	5,785.73	5,215.61	11,001.34	492.64	11,493.99	1,424.43	10,069.55	66
New Hampshire	50.54	8.92	59.46	0.13	59.59	2.18	57.41	11
New Jersey	224.98	95.10	320.08	0.71	320.79	88.69	232.10	21
New Mexico	489.42	128.37	617.79	3.08	620.86	56.04	564.82	21
Nevada	6.63	57.03	63.66	0.00	63.66	19.89	43.76	11
New York	1,664.41	296.91	1,961.32	8.52	1,969.84	142.84	1,827.00	64
Ohio	2,816.44	2,298.15	5,114.58	181.91	5,296.49	463.59	4,832.90	57
Oklahoma	1,434.73	1,890.23	3,324.96	65.81	3,390.77	1,561.61	1,829.16	71
Oregon	3,246.01	2,261.93	5,507.94	71.76	5,579.70	772.95	4,806.75	46
Pennsylvania	2,020.72	428.47	2,449.19	6.82	2,456.02	301.70	2,154.31	51
Rhode Island	4.07	4.06	8.13	0.00	8.13	0.51	7.63	10
South Carolina	92.04	111.52	203.56	0.30	203.85	34.92	168.93	16
South Dakota	4,275.45	3,480.70	7,756.15	186.65	7,942.80	1,173.43	6,769.37	90
Tennessee	222.08	2,172.71	2,394.80	62.59	2,457.39	599.15	1,858.23	79
Texas	4,187.49	1,495.94	5,683.42	262.88	5,946.30	419.97	5,526.34	195
Utah	332.72	883.82	1,216.54	242.66	1,459.20	435.44	1,023.76	26
Virginia	603.87	1,696.76	2,300.63	36.10	2,336.73	609.00	1,727.73	49
Vermont	587.30	56.40	643.70	2.83	646.53	10.48	636.06	9
Washington	4,372.52	2,394.67	6,767.19	81.39	6,848.57	761.45	6,087.13	79
Wisconsin	8,079.05	4,651.35	12,730.39	291.30	13,021.69	1,886.86	11,134.83	101
West Virginia	11.36	107.37	118.72	0.51	119.23	19.70	99.53	17
Wyoming	80.00	740.01	820.02	5.92	825.93	273.25	552.68	23
District of Columbia	0.00	0.03	0.03	0.00	0.03	0.02	0.00	4
Foreign	486.57	718.69	1,205.25	0.00	1,205.25	654.91	550.34	15
Totals	124,891.27	81,708.69	206,599.95	5,457.93	212,057.89	32,167.79	179,890.10	NA

Table 2

Ranking numbers of states by select co-op statistics and by top 10 ranking (highlighted), 2015

State	Gross volume of products marketed	Gross sale of farm supplies	Total gross sales	Service receipts & other income	Gross business volume	Business between co-ops	Net business volume	Co-ops doing business in state
Alaska	48	39	46	38	46	41	47	48.5
Alabama	38	30	35	26	35	36	34	18.5
Arkansas	17	26	20	16	19	29	17	25.5
Arizona	26	43	33	28	33	35	32	33
California	**3**	23	**5**	**10**	**5**	**10**	**5**	**4**
Colorado	27	21	26	18	24	16	28	28
Connecticut	37	47	41	44	41	47	40	45
Delaware	46	37	45	42	45	43	45	51
Florida	20	32	27	20	25	15	29	25.5
Georgia	34	20	28	34	28	23	30	30
Hawaii	47	50	50	37	50	50	50	41
Idaho	21	22	19	27	20	12	25	29
Illinois	**5**	**2**	**3**	**4**	**3**	**2**	**3**	**5**
Iowa	**2**	**1**	**2**	**1**	**2**	**3**	**2**	**6**
Indiana	23	**9**	15	14	15	9	16	22
Kansas	**9**	**6**	**9**	**5**	**9**	**5**	**9**	**7**
Kentucky	28	25	29	29	29	31	26	31
Louisiana	18	35	24	52	27	38	20	24
Massachusetts	35	46	40	51	40	30	41	41
Maryland	36	33	37	39	37	33	36	38
Maine	42	48	43	45	43	48	43	33
Michigan	13	19	16	19	16	14	15	16.5
Minnesota	**1**	**3**	**1**	**2**	**1**	**1**	**1**	**1.0**
Missouri	**6**	**7**	**7**	**7**	**7**	**6**	**8**	**10.0**
Mississippi	24	36	30	15	31	39	27	16.5
Montana	25	15	18	25	18	19	18	20
North Carolina	31	31	34	33	34	34	33	35
North Dakota	**8**	**8**	**8**	12	**8**	13	**7**	**3**
Nebraska	**7**	**4**	**6**	**3**	**6**	**8**	**6**	14
New Hampshire	45	49	49	46	49	49	48	46.5
New Jersey	40	42	42	40	42	37	42	38
New Mexico	32	38	39	35	39	40	37	38
Nevada	50	44	48	48.5	48	44	49	46.5
New York	19	34	25	30	26	32	23	15
Ohio	15	12	14	13	14	24	13	18.5
Oklahoma	22	16	17	22	17	**7**	22	13
Oregon	14	13	13	21	13	17	14	27
Pennsylvania	16	29	21	31	22	27	19	21
Rhode Island	51	51	51	48.5	51	51	51	48.5
South Carolina	43	40	44	43	44	42	44	43.0
South Dakota	11	**10**	**10**	11	**10**	11	**10**	**9**
Tennessee	41	14	22	23	21	22	21	11.5
Texas	12	18	12	**8**	12	26	12	**2**
Utah	39	24	31	**9**	30	25	31	33
Virginia	29	17	23	24	23	21	24	23
Vermont	30	45	38	36	38	46	35	50
Washington	**10**	11	11	17	11	18	11	11.5
Wisconsin	**4**	**5**	**4**	**6**	**4**	**4**	**4**	**8**
West Virginia	49	41	47	41	47	45	46	41
Wyoming	44	27	36	32	36	28	38	36
District of Columbia	52	52	52	48.5	52	52	52	52
Foreign	33	28	32	48.5	32	20	39	44

■ *Shading denotes co-ops with a Top 10 ranking.*

The top 10 states (Minnesota, Iowa, Illinois, Wisconsin, California, Nebraska, Missouri, North Dakota, Kansas and South Dakota) collected 64.3 percent of the total gross business volume by ag co-ops in 2015. See Table 2 for a ranking of states by the select statistics of gross volume of products marketed, gross farm supply sales, total gross sales, service receipts, gross business volume, business between co-ops, net business volume, and number of co-ops conducting business in each state (the top-ten states for each item are shaded).

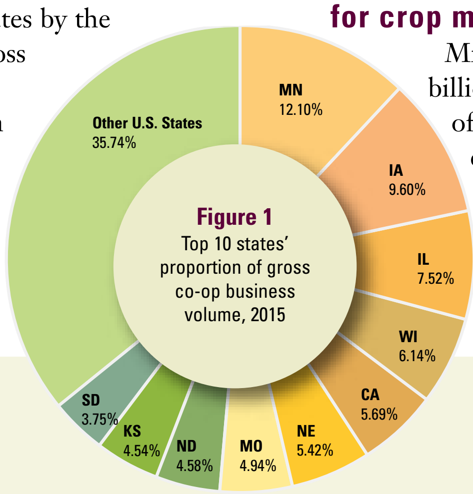


Figure 1
Top 10 states' proportion of gross co-op business volume, 2015

Minnesota tops for crop marketing

Minnesota's $18.7 billion in gross volume of ag producer commodities marketed led all states. Iowa was second ($11 billion), followed by California ($10.8 billion), Wisconsin ($8.1 billion) and Illinois ($7.3 billion).

Iowa's $8.6 billion in gross farm supply sales led all states. It was followed by Illinois ($8.2 billion), Minnesota ($6.4 billion), Nebraska ($5.2 billion) and Wisconsin ($4.7 billion).

The $698 million in service and miscellaneous operating income for Iowa ag co-ops also ranked first among states. Minnesota was second ($624 million), followed by Nebraska ($493

Table 3

Top states for gross co-op marketing volume, by commodity, 2015

All figures in Million $

State	Grain and Oilseeds	State	Dairy	State	Fruit and Veg.	State	Cotton and Cotton Gins	State	Sugar	State	Livestock
MN	8,852.02	WI	5,788.02	CA	3,064.94	TX	1,235.49	MN	3,581.22	IA	748.62
IA	7,397.88	CA	5,304.70	WA	867.07	AR	1,235.49	LA	836.47	WI	618.16
IL	4,859.69	MN	4,242.15	FL	819.76	GA	336.99	ND	735.28	IL	556.82
ND	4,523.72	MO	3,866.40	MI	795.61	MS	215.12	ID	706.95	IN	326.32
NE	4,248.22	WA	2,165.49	OR	649.29	NC	135.54	FL	550.21	OH	289.27
SD	3,610.23	IL	1,828.46	PA	481.28	AL	117.45	MI	533.57	KS	225.55
KS	3,491.99	KS	1,732.51	WI	453.22	CA	116.62	CO	320.15	MN	217.73
MO	2,006.08	NY	1,435.90	Foreign	265.05	OK	84.04	MT	82.66	KY	185.20
2015[1]	49,321.2	2015	41,006.6	2015	8,301.1	2015	2,766.6	2015	7,568.9	2015	4,793.1
2014[2]	58,836.7	2014	52,394.4	2014	8,361.5	2014	2,729.4	2014	7,758.3	2014	4,948.3

All figures in Million $

State	Poultry	State	Nuts	State	Fish	State	Rice	State	Bean and Pea	State	Tobacco
MI	230.84	CA	1,660.03	ME	93.55	AR	368.41	ND	64.08	NC	294.58
CA	201.96	OR	21.24	WA	58.21	CA	354.52	MI	39.63	KY	22.85
UT	131.45	GA	15.47	AL	36.11	MS	95.05	NE	31.80	TN	21.22
IA	129.21	TX	13.25	NJ	14.23	TX	35.22	ID	30.00		
MS	95.05	VA	12.61	AK	12.14	LA	16.32	MT	18.92		
WI	48.14	OK	1.52	NH	5.94	MN	3.32	CA	14.91		
MN	40.22	OK	1.52	CA	1.42	MO	1.83	WA	9.32		
VA	4.00	AL	0.48	MN	1.07			MN	1.28		
2015[1]	787.7	2015	1,725.2	2015	224.1	2015	874.7	2015	210.1	2015	338.7
2014[2]	1,353.3	2014	1,568.8	2014	215.0	2014	935.5	2014	238.1	2014	475.7

[1] Total of commodity for all states in 2015.
[2] Total of commodity for all states in 2014.

million), Illinois ($452 million) and Wisconsin ($320 million).

Grain/oilseeds largest commodity sector for co-ops

Co-ops marketed $49.3 billion of grain and oilseeds in 2015, making it their largest commodity sector, accounting for 40 percent of total marketing by ag co-ops (Table 3 and Figure 2). Dairy was the second largest sector for co-op marketing, at $41 billion (33 percent of all ag co-op marketing). Fruit and vegetables ranked third, at $8.3 billion (7 percent), followed by: sugar, $7.6 billion (6 percent); livestock, $4.8 billion (4 percent); cotton and cotton ginning, $2.8 billion (2 percent); and nuts, $1.7 billion (1.4 percent).

The "other" category (which combines forest products, hay, hops, nursery products, biofuel, coffee, wool, mohair, etc.) accounted for about $7 billion (or 7 percent) of total ag co-op marketing volume in 2015.

The following ag commodity sectors each accounted for less than 1 percent of total co-op marketing: rice ($875 million); poultry ($788 million); tobacco ($339 million); fish ($224 million); and beans and peas ($210 million).

Top states, by ag commodity sector

Minnesota and Iowa were the top two states for co-op marketing of grain/oilseed, Wisconsin and California were the top two states for dairy sales, while California and Washington were the top states for fruit/vegetables. Texas and Arkansas were the top states for cotton/cotton seed marketing, Minnesota and Louisiana were the leaders for sugar sales, while Iowa and Wisconsin collected the most for livestock sales.

Michigan and California were the top states for co-op poultry sales, California and Oregon were the leaders for nuts, Maine and Washington for fish, and Arkansas and California for rice. North Dakota and Michigan were the top co-op states for sale of beans and peas, while North Carolina and Kentucky were the leaders for tobacco sales by co-ops.

Foreign sourcing

Cooperatives sourced some products from other nations in seven commodity sectors: cotton seed, fruit/vegetables, grain/oilseed, livestock, wool, sugar and "other." These foreign-sourced products were valued at $487 million, with fruit/vegetables accounting for 54.5 percent of the total.

Compared to 2014, 9 of the 12 commodity categories shown in Table 2 dropped in marketing volume in 2015, due mostly to lower commodity prices. Sectors dropping in value include: grain/oilseeds, dairy, fruit/vegetables, sugar, livestock, poultry, rice, beans/peas and tobacco.

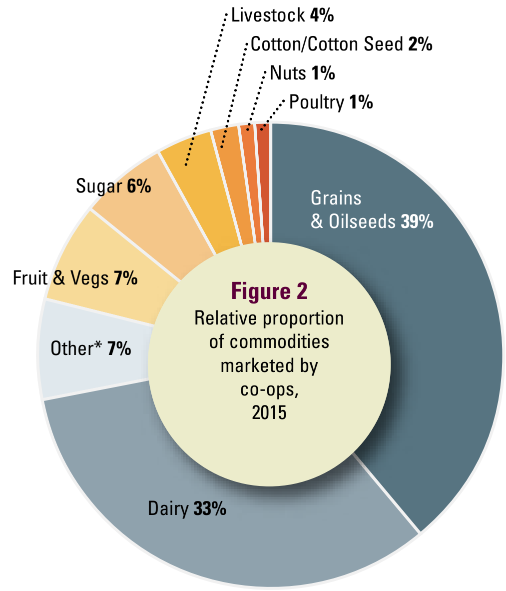
Dairy showed the biggest drop among ag sectors, down $11.4 billion. It was followed by grain/oilseed, which fell $9.5 billion.

Sectors that saw sales volume gains in 2015 were cotton/cotton seed, nuts and fish. Co-op marketing of nuts increased by $156 million, lifting the sector to $1.7 billion. Co-op fish marketing increased by $9.1 million, to $224.1 million.

Petroleum, fertilizer largest farm supply sectors

Ag co-ops sold $32.3 billion worth of petroleum products in 2015, accounting for 40 percent of total farm supply sales (Table 4, Figure 3). Illinois led all states, with $3.7 billion in co-op petroleum sales, followed by Iowa, with $2.4 billion in sales. Rounding out the top 5 states for petroleum sales were Missouri ($2.1 billion), Indiana ($2 billion) and Kansas ($1.9 billion).

Fertilizer was the next largest supply sector for co-ops, with $15.1 billion in sales, or 18 percent of total farm



* Other: Bean & pea, fish, rice, tobacco, wool, and other marketing.

supplies sold in 2015. Illinois was once again the top state for fertilizer sales by co-ops, at $1.8 billion. It was followed very closely by Iowa (with sales that also rounded to $1.8 billion). Next came Nebraska ($1.4 billion), Minnesota ($1.2 billion) and Wisconsin ($877 million).

Feed is the third largest farm supply sector for ag co-ops, accounting for 15 percent (or $12.3 billion) of their total farm supply sales in 2015. Iowa was the top state for feed sales, at $2.3 billion, well ahead of Minnesota ($1.4 billion). Wisconsin was next ($909 million), followed by Texas ($545 million) and Illinois ($498 million).

Co-ops sold $10.9 billion in crop protectants (pesticides, fungicides, etc.), which accounted for 13 percent of their total farm supplies sales. Illinois led all states with $1.3 billion in crop protectant sales, followed by Nebraska and Iowa (both with $1 billion). Minnesota was next ($818 million), followed by South Dakota ($622 million).

Seed sales accounted for 7 percent of total farm supplies sold by co-ops. Illinois, Iowa, Minnesota, South Dakota and Wisconsin are the top five states for seed sales, ranging from $733 million down to $347 million.

Sales of the "other" farm supply

Why do farmers do business in co-ops?

Agricultural cooperatives are owned and controlled by their producer-members. Regardless of the size of the cooperative, they play a critical role in the agricultural marketplace.

Co-ops market members' commodities, often creating or expanding markets for them and adding value to raw products. Through co-op marketing, producers gain the advantage of scale, allowing them to enter markets they would otherwise be unlikely to tap. Further, all profits flow back to their farms or are reinvested in the business.

Co-ops also ensure that their members have access to fairly priced, quality farm supplies and services needed to operate their farms and ranches. ■

category — which includes building materials, containers and packing supplies, machinery and equipment, meats and groceries, automotive supplies, hardware, artificial insemination supplies, and other supplies not classified separately — totaled $5.8 billion in 2015. This supply group accounted for 7 percent of total farm supplies sold by co-ops. North Dakota led the states in this category, with $518 million in sales. It was followed by Minnesota ($427 million), Wisconsin ($410 million), Iowa ($368 million) and Washington ($287 million).

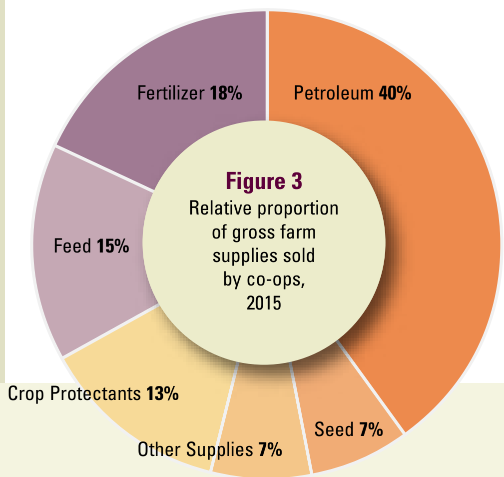


Figure 3 Relative proportion of gross farm supplies sold by co-ops, 2015

Compared to 2014, gross sales of every farm supply category dropped in 2015, with the biggest declines being for petroleum (down $6.9 billion), feed (down $1.4 billion) and fertilizer (down $1.2 billion).

Inter-cooperative business

Co-ops also cooperate and do business with each other, conducting a significant amount of inter-cooperative business. About $32.2 billion in inter-cooperative business was conducted in 2015, a drop from $36.4 billion in 2014 (Tables 1 and 2).

The number of agricultural co-ops continues to decline each year, mostly due to consolidations. But the business they conduct on behalf of their members remains significant. Business volume was down in 2015 from 2014, mainly because of lower prices of commodities and supply inputs. But this was the first sales decline in 6 years. The overall trend for co-op business volume has been continuously upward. ■

Table 4

Top states for gross co-op sales volume for farm supplies, by supply-input type, 2015

All figures in Million $

State	Feed	State	Seed	State	Crop Protectant	State	Fertilizer	State	Petroleum	State	Other
IA	2,335.34	IL	732.68	IL	1,272.06	IL	1,779.09	IL	3,713.72	ND	518.05
MN	1,376.49	IA	707.61	NE	1,003.71	IA	1,754.72	IA	2,434.40	MN	426.92
WI	908.52	MN	669.84	IA	1,003.53	NE	1,390.04	MO	2,112.31	WI	410.04
TX	545.26	SD	402.42	MN	818.06	MN	1,199.75	IN	2,009.63	IA	367.69
IL	498.31	WI	347.14	SD	622.05	WI	876.82	KS	1,947.07	WA	287.04
NE	487.40	NE	338.44	ND	559.44	SD	804.44	MN	1,869.35	TN	285.44
CA	467.91	ND	317.44	WI	520.57	KS	710.37	ND	1,808.28	OR	279.00
OH	411.45	TN	285.44	KS	509.92	MO	707.58	NE	1,787.07	CA	275.35
MO	411.15	IN	254.11	WA	509.27	IN	615.38	WI	1,588.25	VA	257.37
SD	341.82	KS	227.43	IN	428.76	OH	588.73	OK	1,340.32	VA	257.37
2015[1]	12,261.3	2015	5,396.8	2015	10,935.3	2015	15,051.0	2015	32,277.0	2015	5,787.3
2014[2]	13,673.8	2014	5,790.8	2014	11,530.4	2014	16,251.0	2014	39,211.3	2014	6,166.6

[1] Total of item for all states in 2015.
[2] Total of item for all states in 2014.

Members of the Grass Roots Farmers Co-op (GRFC) raise organic, free-range poultry and other livestock on small family farms in Arkansas. Photo by Bryan Clifton, courtesy GRFC

Boosting Rural Entrepreneurs

USDA awards $45 million to support value-added agriculture, rural business

USDA is providing more than $45 million to help farmers, ranchers and small rural business owners — including 22 farmer-owned cooperatives — develop new products and for market expansion. The 325 grants, announced in October, are being provided under USDA's Value Added Producer Grants program (VAPG), administered by USDA's Rural Business-Cooperative Service.

The VAPG awards to co-ops total about $3.7 million, ranging from $24,000 to help pay for a feasibility study for a new local food cooperative in Arkansas, to $250,000 (the maximum available under the program) awarded to several cooperatives around the nation for product or market development work. VAPG is a "matching grant" program, so the recipients must also invest a like amount of money in their project.

"Veterans, beginning farmers, farmer-owned co-ops and other rural-based businesses have made VAPG one of USDA's most sought-after funding programs," says Chad Parker, administrator of USDA Cooperative Programs. "The grants are an important source of financing to help producers develop new product lines and markets, and to increase their income — much of which will be spent in rural communities," he continues. "Value-added agriculture and small business entrepreneurship, which Value-Added Producer Grants support, is critical to the life-blood of the rural economy."

VAPG grants can be used to develop new product lines from raw agricultural products or to promote additional uses for established products. Veterans, socially disadvantaged groups, beginning farmers and ranchers, farmer cooperatives and small- and medium-sized family farms and ranches are given special priority for VAPGs. USDA has awarded 1,441 VAPGs since 2009, totaling $183 million. Congress increased funding for the program in the 2014 Farm Bill.

The 2016 grants were announced at Leffel Roots LLC in Eau Claire, Wis. Leffel is receiving a $22,500 VAPG to develop and market bakery, cider and hard-cider products. Another Wisconsin recipient, Bee Forest LLC, a logging and sawmill company in Nelson, is receiving a $250,000 grant to market, process and ship shredded bark and saw dust. Both businesses were credited for using innovative ideas to help create jobs and grow their local economies.

In Guinda, Calif., Riverdog Farm is receiving a $183,900 grant to expand its processing of pork into bacon, sausage, ham and packaged pork cuts. These products will expand the farm's operation at farmers markets and at its own farm stand.

Fifer Orchards Inc. in Camden Wyoming, Del., is receiving a $250,000 grant to expand marketing, processing and packaging of apples at this family-owned orchard. Fifer sells its produce through its farm and country store, at farmers markets and by wholesaling to schools, restaurants and grocery stores.

To see the full list of award recipients and other details about the program and how to apply for a grant, visit www.rd.usda.gov, and enter "VAPG" in the search window.

On the following pages, we take a closer look at how four farmer co-ops are using their VAPGs.

Pasture-raised, organic pork is one of the primary products of the Grass Roots Farmers Co-op (GRFC), which is using a Value-Added Producer Grant from USDA to increase its pork- and beef-processing capacity and for promoting an e-commerce platform. Photo by Bryan Clifton, courtesy GRFC

Grass Roots Farmers Cooperative, Arkansas

Grass Roots Farmers' Cooperative is a group of small-scale, pasture-based livestock farmers that formalized as a cooperative business in April 2014. It was formed by farmers who decided that — by sharing resources and responsibilities — they could create a value chain that provides an excellent customer experience and allows the farmers to focus on farming.

Grass Roots works to recruit socially disadvantaged, veteran and beginning farmers in rural Arkansas to participate in the co-op.

The co-op has centralized purchasing, processing, aggregation and marketing for pasture-raised livestock farms in Arkansas. Grass Roots Farmers' Cooperative will use VAPG working capital funds to support increasing its pork- and beef-processing capacity and for promoting an e-commerce platform, Grassrootscoop.com, which makes foods from small-scale farms more accessible to consumers.

"Our focus in Arkansas allows rural farmers to create sustainable livelihoods through agriculture," says Cody Hopkins, the co-op's general manager and a producer-member.

Grass Roots is now shipping its farmers' meats to a 20-state region. In 2016, the co-op saw tremendous gains in its website traffic and has almost doubled the co-op's customer base. In 2017, Grass Roots plans to start shipping to all 48 continental states and to expand its marketing outreach to a national level. ■

New South Produce Cooperative, Arkansas

New South Produce Cooperative is a group of small family farmers working together to grow and market fresh produce and cut flowers. With the help of Heifer International, the cooperative started a multi-farm Community Supported Agriculture (CSA) program in 2014.

The CSA is like a subscription program in which customers, or shareholders, pay farmers in up-front installments in exchange for a weekly basket of in-season, fresh produce during the summer and fall.

Based on the quick success many co-ops have had using this business model, the farmers decided to incorporate as a cooperative in early 2016 and began expanding into new markets, including local grocery stores and restaurants. To assess the risks and potential of this new business strategy, the cooperative applied for, and received, a USDA Value-Added Producer Grant (VAPG) to perform a feasibility study.

The cooperative will be using the VAPG funds to perform interviews with market partners and wholesale buyers, as well as to assess on-farm production capacity of cooperative members. A special focus of the study will involve an analysis of the market potential for certified organic produce. Most of the member-farms already possess an organic certification, and organic products usually earn higher premiums for farmers.

Co-op leaders say VAPG is an innovative program that will help New South Produce Cooperative to strategically expand its business for years to come. ■

New South Produce Cooperative is helping its small, family farm members to grow and market fresh produce and cut flowers. It will use its grant from USDA for a market analysis study. Photos courtesy New South Produce Co-op

St. Albans Cooperative Creamery, Vermont

St. Albans Cooperative Creamery Inc. was awarded a $250,000 Value Added Producer Grant to support its new tote packaging project. This award will jumpstart an effort that will allow the co-op to provide packaging options for its clients.

Established in 1919, the cooperative has more than 350 dairy farmer-members from Vermont, New York and New Hampshire. The facility is located in northwestern Vermont, where it processes over 650 million pounds of milk annually.

Well-known for its quality milk and commitment to its members, St. Albans offers its customers a variety of dairy products, including milk powder. Milk powder is used in a wide range of dairy foods, as well as in bakery and confectionary products.

The cooperative has been packaging all of its milk powder in 50-pound bags. The VAPG grant will allow St. Albans to purchase equipment to package the product in 2,000-pound totes that will better support the needs of many customers, although it will still offer the option of the 50-pound bags.

Some of the cooperative's customers prefer a 2,000-pound tote because of the large quantity of milk powder they require. A tote provides a more efficient means of handling the product for these large-scale users. It also minimizes the amount of packaging material that must be disposed of, thereby improving their "carbon footprint." And because a tote is handled with machinery, rather than by hand, it reduces the risk of work-related injuries.

St. Albans hosted a VAPG announcement event at its facilities in St. Albans, where it welcomed the Vermont/New Hampshire state director for USDA Rural Development, as well as other VAPG recipients from around the state. ■

USDA funds are helping Vermont's St. Albans Cooperative Creamery (SACC) to offer customers the option of purchasing 2,000-pound "totes" of dried milk powder, as well as in the traditional 50-pound bags (seen here). Photo courtesy SACC

Siouxland Energy Cooperative, Iowa

This new machinery at Siouxland Energy Cooperative's (SEC) ethanol plant allows the co-op to process the cellulosic portion of corn kernels into ethanol, resulting in 3 percent more fuel from every bushel of corn. Photo courtesy SEC

A $250,000 VAPG awarded to the Siouxland Energy Cooperative in Sioux Center, Iowa, is helping the co-op move forward with a $2.5-million project to expand into cellulosic ethanol production. The co-op's "hammer-mill" processing system will now employ a second milling process, using special enzymes to extract energy from the cellulosic content of corn kernels.

Corn flowing into the plant will be broken down into a smaller particle size to aid in the conversion of the cellulosic material (i.e., the non-starch portion of the kernels) into ethanol. The net result will be an additional 3 percent of ethanol squeezed out of every bushel of corn, yielding 550,000 gallons of cellulosic ethanol annually. The ethanol plant, which began operation in 2001, processes an average of 22 million bushels of corn each year, which yields 63 million gallons of fuel.

Siouxland Energy is owned by 385 farmers, for whom their ownership stake in ethanol processing can be viewed as a hedge strategy. Corn prices are currently low, which hurts the members on the farm production side. But they recoup some of that loss because cheaper corn improves the profitability of their ethanol plant, says Jeff Altena, operations manager and controller for the co-op. The VAPG will help the co-op shave several months off of the 14 months needed to achieve return on investment, he adds.

A kernel of corn is encased in a pericarp — a translucent, protective outer layer. This cellulosic portion of the kernel is not actually a waste, because it winds up in the wet distiller's grain, which is sold as livestock feed. But there is a much higher return for it as ethanol. By producing cellulosic ethanol, Siouxland will qualify as an advanced biofuel producer.

"When USDA provides assistance to a producer-owned cooperative, such as ours, through a program like VAPG, it is helping 385 farmers, because our income flows back to the producers and is spent in their communities," says Altena. All too often, he notes, critics of farm programs fail to grasp this fundamental difference between a farmer-owned co-op vs. an investor-owned or privately held business.

Altena says his co-op members and others in the ethanol industry are glad that the "food vs. fuel debate has pretty well been laid to rest." The No. 2 yellow corn the ethanol industry uses as fuel stock is otherwise used almost exclusively for livestock feed, not for human consumption. Further, the distiller's grain ethanol plants yield goes right back as livestock feed. But it took many years of educational effort for that to sink in, he notes.

According to the Iowa Renewable Fuels Association (IRFA), the state's 43 ethanol plants produced 4.1 billion gallons of ethanol in 2016, a new state record. "Setting another annual ethanol production record is a testament to the efficiency and hard work of Iowa's ethanol plants," says Monte Shaw, IRFA's executive director. "However, Iowa has the resources, both in corn and plant capabilities, to do much more." ■

State	Applicant Name	Amount	Project Description
Arizona	United Dairymen of Arizona	$250,000	■ The VAPG will be used to help the applicant process, package and market Lactoferrin, a dietary supplement.
Arkansas	Arkansas Foodshed Cooperative	$24,000	■ See page 12.
Arkansas	Grass Roots Farmers' Cooperative	$239,369	■ See page 11.
California	Blue Diamond Growers	$250,000	■ Working capital funds will be used to expand the marketing and promotional support for the sale of flavored almonds in China & Japan. This will include the introduction of new packaging that will allow the product to be displayed more easily in those countries.
California	Calrose Co-op	$64,666	■ Rural Development planning grant funds will be used to assess the feasibility and marketability of flavored packages of rice intended specifically for sale to the "rice cooker"market.
Colorado	Sweet Grass Cooperative	$49,000	■ Award funds will be used to process up to 100 more grass fed/organic cattle for Sweet Grass's members. Award funds will also assist with entering new markets in New Mexico and Colorado
Georgia	Michigan Blueberry Growers Assn, Inc	$250,000	■ These funds will help with working capital for the processing of the blueberries into a private label to reach a new demographic. This will generate higher returns for the members of the this group.
Iowa	Siouxland Energy Cooperative	$250,000	■ See page 14.
Minnesota	Hastings Co-Operative Creamery Co.	$250,000	■ Project funds will be used to increase sales through the expansion of the company's market line, Mass Market Milk.
Nebraska	Heartland Nuts 'N More	$49,999	■ VAPG funds will be used as working capital to implement a marketing plan to provide a central market for member-producers to sell nut oil from cultivar tree nuts. The project is expected to increase revenue for the cooperative by $87,000, create five jobs and increase the co-op's customer base by 4,200.
North Dakota	Minn-Dak Farmers Cooperative	$250,000	■ VAPG funds will be used to assist Minn-Dak Farmers' Cooperative with marketing and advertising expenses associated with commercialization of a soil-amendment product, as well as for labor to deliver and load the product and other costs associated with the processing of sugar beets.
South Carolina	Gullah Farmers Cooperative Inc.	$195,000	■ VAPG funds will be used to process and market chopped collard greens, cabbage and broccoli to school districts in the state.
Vermont	Ocean Spray Cranberries	$250,000	■ Rural Development funds will be used to assist with marketing and processing costs to successfully produce and ship approximately 15,000 cases of Ocean Spray "Whole Berry" 100% juice blend, a new line of beverages made from whole, milled cranberries.
Vermont	Snug Valley Farm	$199,154	■ USDA funds will be used to assist with costs associated with the expansion of processing and marketing of retail packaged cuts of pork, beef, sausage and salami, as well as of whole-dressed hogs and beef. Expansion of 15 percent in production and sales is expected to occur during the three-year grant project.
Vermont	St. Albans Cooperative Creamery Inc.	$250,000	■ See page 13.
Virginia	Cobblestone Milk Cooperative	$62,000	■ VAPG funds will be used to determine the feasibility of owning a processing plant that processes specialty, aged cheeses.
Washington	Local Inland Northwest Cooperative Foods	$249,398	■ The cooperative will use VAPG funds to cover some of its key fixed costs, such as for rent, utilities, truck lease and labor.
Washington	North Cascade Meat Producers Cooperative	$249,075	■ VAPG working capital funds will be used to pay for operating costs to support the processing and packaging of its members' livestock into value-added, fresh- and frozen-meat products for wholesale and retail sales. Funds will also help pay for marketing, distribution and administrative costs.
Washington	Puget Sound Food Cooperative	$49,999	■ VAPG funds will be used to develop a marketing program for this newly formed cooperative and to increase production, distribution and consumption of locally produced food.
West Virginia	Monroe Farm Market Cooperative, Inc.	$49,996	■ Grant funds will be used to support the cooperative in preparing, packaging and marketing its locally produced products to consumers and local farm-to-school program participants.
Wisconsin	Browse and Grass Growers Cooperative	$220,000	■ VAPG funds will be used to fund a working capital for processing, packaging, promotional and infrastructure to convert under-valued, pastured livestock to high-value, regionally branded products.

Utility Co-op Connection

Once labeled 'too rural,' Texas co-op's innovative programs save energy and money

By Anne Mayberry

Editor's note: Mayberry is legislative and public affairs advisor for USDA's Rural Utilities Service.

This lineman's hard hat may be a bit larger than "kid size," but a possible future co-op lineman still enjoys trying it on. Photo courtesy Pedernales Electric Cooperative

Several innovative, energy efficiency programs that could help provide substantial savings for a Texas rural electric utility and its consumer-members are now underway. Pedernales Electric Cooperative (PEC) is using its emPower loan program and smart-grid technologies to reduce energy costs for the utility, which serves consumers across 24 counties in central Texas.

Nearly 80 years ago, PEC was considered "too rural" to qualify for a loan under the Rural Electrification Act (REA) of 1936, established to bring electricity to rural America. The REA's provision that required the loans to be repaid, with interest, within 25 years was based on population density.

Representatives of the counties requesting funding to provide electricity to rural Texas were told they had too much land with too few people. The REA would not make a loan to an area that had fewer than three farms per square mile. But that was before the new Congressman from the area, then-Rep. Lyndon Johnson, became involved.

Overcoming poverty, fear of electricity

Poverty, fear of electricity and a long history of being denied the services common in urban areas did not make Johnson's work easy, according to Robert Caro in his book The Years of Lyndon Johnson. But Johnson was persuasive, convincing rural Texans that they would control the electrical lines they built. Johnson would also ultimately meet with President Franklin Roosevelt, who then urged REA Administrator John Carmody to approve the loan to PEC, noting that he expected the area would grow.

Later, Roosevelt offered the REA administrator job to Johnson. But the REA was moving to USDA, so the administrator would report to the agriculture secretary rather than the President. Johnson declined the offer.

In September, 1938, the REA approved a $1.3-million loan to PEC to build more than 1,800 miles of line to bring electricity to 2,900 rural Texas families. Perhaps because of that commitment, the area did grow.

Last September, almost exactly 78 years after receiving its first REA loan, the Rural Utilities Service (the successor agency to REA) approved an energy efficiency loan to serve more than 285,000 PEC meters. The $68-million loan will allow the co-op, in turn, to make low-interest loans to members to build solar photovoltaic and energy-storage systems. It will also help the co-op use smart-grid technologies to reduce power costs for members in it 8,100-square-mile service area.

Building communities, as well as services

Today's cooperatives not only provide electricity, but also build stronger, more vital communities, particularly in rural areas. Rural electric cooperatives have a strong commitment to the communities they serve. Co-ops are investing in infrastructure to deliver reliable, affordable power and to deploy smart-grid technologies, promote energy efficiency and to expand renewable energy programs.

Like many rural electric cooperatives, PEC's success has been partly due to its commitment to its communities. PEC was already getting accolades from REA Administrator Harry Slatterly in 1939 for serving as more than a place of business.

An REA report of that year noted that: "Because members have a definite sense of ownership in their cooperative, the office must be more than a place in which to do business…Cooperative headquarters should serve as a rallying point for members…to increase member participation in cooperative business. The Pedernales Electric Cooperative at Johnson City, Texas, was among the first to plan a headquarters building in keeping with the character and needs of an electric cooperative," the report said.

That focus on member needs continues today. PEC has implemented seven rate reductions since December 2014. Currently, the co-op's electric rates are below both Texas and national average electric rates.

"Because of Texas' unique transmission system, PEC's energy efficiency project will reduce energy and offset peak costs not just for the current year, but also for following years by changing the way power transmission costs are calculated," notes Chris McLean, RUS assistant administrator for electric programs. "This will help increase electric capacity in their system, reduce their carbon footprint and improve system reliability."

Savings for all co-op members

PEC's application of the energy efficiency program will also save money for the entire membership. The energy efficiency loan is divided into two parts: A portion of the loan will fund on-bill financing for solar photovoltaics and system storage. The loan will also be used for grid modernization.

"We hope that with low-cost financing and on-bill repayment [which allows consumers to pay for loans as part of monthly energy bill], these loans can lower the barriers to grid-tied solar installations and battery storage for our members," says Ingmar Sterzing, PEC vice president of power supply and energy services.

The idea for the energy efficiency project originated with a review of ways to reduce the peak demand and increase grid efficiency. Brad Hicks, vice president of engineering and energy innovations, led PEC's energy efficiency effort.

"The idea came to me after we implemented our first efforts in 2014," says Hicks. "Most utilities focus only on reducing demand during peak times. We implemented a strategy that not only monitored demand, but monitored the energy market price. If the price reached a certain threshold, we would invoke measures to reduce the amount of energy we would need to purchase."

Smart-grid technologies help utilities better measure energy use and thus better manage their systems. PEC's goal is to support energy conservation and reduce transmission costs by curbing demand during peak power use and during times of escalating market prices.

Today, rural electric cooperatives across the country serve 42 million consumers. Although they serve fewer consumers than do investor-owned utilities, cooperatives are outperforming their counterparts. Electric cooperatives saw their retail sales rise 3.3 percent in 2014, compared with 1.1 percent for the rest of the industry.

Rural electric cooperatives, such as PEC, are using energy efficiency — often called "the fifth fuel" — to reduce power use and costs with the help of USDA's two energy efficiency funding programs. The Energy Efficiency and Conservation Loan Program and the newer Rural Energy Savings Program are among an array of tools offered by the Rural Utilities Service, part of USDA Rural Development, to address growing electric power demands and help offset increasing costs of power.

Energy efficiency and smart grid

In addition to reducing power use and costs, energy efficiency programs help expand electric utilities' energy portfolios through diversified fuel sources. To date, RUS has loaned nearly $60 million in Energy Efficiency and Conservation Loan funds; another $52 million in loans will be made from the Rural Energy Savings Program.

To improve electric utility resiliency and efficiency, rural electric cooperatives are investing in smart-grid technologies. Since 2008, rural electric cooperatives used over $1.5 billion of RUS loans to deploy fiber connections to provide for smart-grid needs.

Investments improve rural life

McLean says that rural electric cooperatives are a major power that helps drive investment in the rural economy – an investment that builds the foundation for a vibrant future. "Since 2009, rural electric cooperatives have invested over $38 billion in rural electric infrastructure, improving over 196,000 miles of line and connecting 1.5 million new customers," he notes.

"The economic stability of rural America continues to rely on the availability of affordable and reliable electricity to serve families, businesses, and attract new opportunities to these areas," McLean says. "Cooperatives understand that America is strongest when we work together. That's why 80 years after the REA became law, cooperatives remain strong and successful." ■

Bogs

Across America

Traveling bog helps Ocean Spray teach consumers about cranberries & co-ops

At crack of dawn, Ocean Spray workers are already busy setting up the co-op's traveling cranberry bog outside USDA headquarters. USDA photos by Lance Cheung (except where noted)

By Dan Campbell, editor

Editor's note: This article includes information from an interview conducted by USDA photographer Lance Cheung.

If you can't bring the consumer to the cranberry bog, bring the bog to the consumer. This, in a nutshell, is the education strategy Ocean Spray employs for its annual "Bogs Across America" tour.

On a lovely autumn morning outside USDA headquarters in Washington, D.C., Alison Carr, wearing hip-waders, is standing knee-deep in the middle of the co-op's "traveling bog," surrounded by floating cranberries. Her aim is to demonstrate what it takes to bring the tangy fruit from the bog to the consumer's plate (or glass).

"We are here to teach everyone what it is like to be a cranberry farmer, how we grow them and — most importantly — how we harvest them," Carr says.

The real deal

While this cranberry bog is obviously a replica, Carr herself is the real deal: a sixth-generation grower from Massachusetts whose forbearers in the 1930s helped to spearhead the formation of Ocean Spray. The co-op, the nation's leading processor and marketer of "all things cranberry," is owned by about 700 grower families, the biggest concentrations of which are in New England and Wisconsin.

Washington was just one stop during the 2016 bog tour, now in its 12th year. It has proven to be one of the most effective consumer-education efforts ever launched by this marketing-savvy co-op.

The exhibit includes plots of cranberry shrubs with vines of berries, as well as the pool to demonstrate how they are "wet-harvested." This method is used to harvest berries bound for processing, such as for cranberry sauces, juice beverages and dried craisins (the cranberry

One key lesson to share with other co-ops is this: your growers are one of your greatest marketing assets.

version of a raisin).

"We lead farm tours every year during the harvest, which is spectacular to see — it's unique in agriculture," says Kellyanne Dignan, Ocean Spray's senior communications manager. "I've seen it hundreds of times and never get tired of it. But the vast majority of people will never see a cranberry harvest, so this is our way to give them a small taste of what it is like."

The bog at the USDA farmers' market is actually the co-op's "mini bog." A larger model is used at places such as Rockefeller Center in New York City. Other stops on the tour have included Chicago, Los Angeles, Boston and Disney World in Florida, among many others. It has even been shipped to international locations.

Since the bog exhibit was first launched, there has always been a real cranberry grower staffing it.

"We've probably had 50 growers participate in the program, and they love it," Dignan says. "Not only do they enjoy answering consumer questions, but it is great for them to hear the types of concerns and questions consumers have about where their food comes from and how it is produced. The biggest problem we have with some of the farmers is convincing them to climb out of the water and take a lunch break!"

Ocean Spray also talks up the co-op business model during the tour. Most people, while familiar with the Ocean Spray brand, have no idea that the company is owned by farmers. Nor do they have much knowledge about what a cop-op is or the huge role co-ops play in American agriculture and in other parts of the economy.

"People love it when they understand that Ocean Spray is a grower-owned cooperative — there is an even greater farmer-to-consumer connection there."

Do they grow in water?

The most frequent question Carr is asked while on the tour is whether cranberries grow in water. They do not. The bogs are only flooded at

Fun and educational: Ocean Spray's traveling bog not only teaches consumers about how cranberries are grown and harvested, but also about the advantages of doing business in cooperatives. Inset photos: a cranberry vine at bud stage; cranberry recipe cards offer ideas for cooking with cranberries.

harvest time, she explains.

Slicing a berry in half, Carr points to four tiny air pockets within the berry. “They give the cranberry buoyancy. We flood the bog with 6 to 8 inches of water, then a picking machine gently loosens the cranberries from the vine.” These water-reel harvesters are nicknamed “eggbeaters” because of the way they churn the water.

“We then corral the cranberries using a flexible, floating boom and move them over to a section of the bog where they are pushed toward a pump which lifts them off of the bog [and into a truck,]” Carr says.

Berries bound for the fresh fruit market are dry-harvested. This method uses a different type of mechanical picker, one that resembles a lawnmower with metal teeth that “comb” the berries off the vine and into sacks.

Build-your-own bog

People stopping by the exhibit are encouraged to build their own “bog in a cup” to take home. These miniature bogs are both fun and educational, Carr says. Consumers are shown how to create the layers of sand, clay, gravel and peat-soil that cranberries need to thrive. They top it off with a vine clipping from a cranberry shrub. Because cranberries are a perennial crop, they must be tended year around, Carr explains.

So why has this exhibit proven to be so popular? “Because people today are so interested in finding out where their food comes from,” Carr says. Ocean Spray believes that greater understanding of what it takes to grow the crop leads to a greater appreciation and consumption of cranberries.

Carr and the others staffing the exhibit talk up the various health and nutritional benefits of cranberries, including that they are naturally low in sugar, are fat-free, cholesterol-free, a good source of fiber and have “well-documented urinary tract health benefits.”

Cooking and recipe tips are shared, and there are reminders that cranberries can be enjoyed year-round, not just as a holiday treat. Americans consume about 400 million pounds of cranberries each year, including 80 million pounds during Thanksgiving week.

Carr also relates “fun cranberry facts,” such as that the cranberry is one of only three fruits that are native to North America and were used by Native Americans as a food, for medicinal purposes and as a dye. When European settlers arrived in Massachusetts, they thought the blossoms of the plants “looked like a crane bird, so they called it a crane berry.”

“I love being a cranberry grower. Being able to teach people about my passion — where this food comes from and how it is grown and harvested — is very exciting and a lot of fun for me,” Carr says.

And if some of the consumers she has reached out to today happen to be Congressional staffers — or even a Congressman or Senator out on a lunchtime walk or jog down the Mall (the Capitol is just a 15-minute walk away), well, it’s good to have informed consumers in high places!

Alison Carr, a sixth-generation cranberry grower, demonstrates how cranberries are harvested and answers consumer questions about the crop. Her family members were among the founders of the Ocean Spray cooperative in the 1930s. USDA photo by Richard Tyner. Opposite page: consumers visiting the display can make their own "bog in a cup" with these materials. USDA photo by Lance Cheung

Regardless of whether the crops and products other ag co-ops produce would lend themselves to a similar type of display, one key lesson Dignan would like to share with other co-ops is this: your growers are one of your greatest marketing assets. Farmers are often more than willing to lend their expertise to marketing efforts that involve "meet-and-greets" with consumers.

"For example, our friends at another New England co-op, Cabot/Agri-Mark, have had great success having dairy farmers staff booths at grocery store promotions. They hand out cheese samples while talking about dairy farming and answering questions," Dignan says.

More than ever, the co-op business model seems to be resonating with the American public.

To see a multimedia video of Carr in the bog and a time-lapse video of the bog being built, as well as photos of a "bog in a cup" and cranberries, please go to: https://flic.kr/s/aHskJQMKpb. ■

Ready for 2017?

Economic trends, trade, business strategy, cyber security issues top agenda at Farmer Co-op Conference

By Lynn Pitman
Senior Outreach Specialist
University of Wisconsin Center for Cooperatives

Editor's note: Presentations from the 2016 Farmer Cooperative Conference are now available at: www.wisc.edu. The website will also provide information about the 2017 Farmer Cooperatives Conference as it becomes available.

With the November elections then just around the corner, agricultural cooperative business leaders, policy makers and academics converged on Minneapolis for the 19th Annual Farmer Cooperatives Conference in November. While no one offered predictions about the outcome of the elections, experts did provide thought-provoking presentations that identified emerging issues facing agriculture cooperatives.

Highlights of the conference included an overview of domestic and global economic trends, a look at cooperative business strategies and governance practices, cyber security and an examination of the role cooperatives play in the rural economy.

More boom, or bust, for farm economy?

Jason Henderson, director of extension at Purdue University, described how current economic trends might fit the classic "boom-or-bust" business cycle for agriculture. Farm production increases to meet demand have been spurred by low interest rates, which have in turn enabled many farmers to invest in their operations, but there has also been an increase in farm debt.

Demand has plateaued in many ag sectors while supply remains high for many crops. While farm profitability remains high overall, economists are seeing less cash being generated from farm operations and an increase in the

Attendees at the 2016 Farmer Cooperative Conference heard in-depth discussions concerning many of the economic, trade and regulatory issues that will be facing co-ops in 2017 and beyond. Photos courtesy University of Wisconsin Center for Cooperatives need to roll over farm loans instead of paying them off.

The "bust" portion of the classic farm economic cycle can also be driven by high interest rates, which cuts the value of farm assets, leading to solvency issues for some. Interest rate hikes, anticipated by many economists, will be driven by inflation. Henderson expects that inflation will be demand-driven and will be influenced by both domestic and global factors. The pace of likely interest rate increases will affect the impact they have on the economy.

How should farmers react to these conditions? Henderson encouraged a more conservative approach to spending, finding new efficiencies and building working capital. Locking in low interest rates and conserving cash will help farmers weather the downside of this farm cycle.

Uncertainties in global trade

A closer look at developments in U.S. trade policies and how they affect agricultural markets was provided by Joseph Glauber, the former chief economist at USDA and a current research fellow at the International Food Policy Research Institute.

Global trade has experienced strong growth in the past 15 years, and U.S. agriculture can benefit from continuing increased global demand. But, Glauber noted, the United States has not adequately addressed the adverse effects of globalization, and political support for trade liberalization has faltered.

Glauber described how last year's World Trade Organization (WTO) talks in Nairobi were not able to develop agreements about market access and domestic subsidies. Further, it appears that the future of the larger Doha agenda is in question.

Mega-regional trade proposals have implications for setting trade standards and increasing market access, with or without participation by the United States. If these agreements are not expanded and made more inclusive, however, they can weaken the existing multilateral system and disadvantage some WTO members, Glauber said, stressing the importance of U.S. leadership in global trade issues.

Cooperatives are well-positioned to act as trusted, long-term, accountable advisors to members on the use of their data.

Co-op development and community impacts

Western Canadian rural and indigenous communities have been losing — or have never had — services and amenities that are important to community stability and vibrancy. Glen Tully, who in 2014 retired as board chair of Federated Co-operatives Limited (FCL) in Saskatoon, described concerns about diminishing knowledge of the cooperative business model and its potential for addressing community needs. The problem is especially acute among the indigenous peoples of Canada.

FCL funded the Co-operatives First project to examine how greater understanding of cooperatives and use of cooperative development could put the co-op business model "back in the toolbox" for rural community development.

Murray Fulton, professor at the University of Saskatchewan, described how the university's Centre for the Study of Co-operatives conducted the research project.

Rural communities also benefit when cooperatives help producers diversify and begin new ventures. Mollie Woods, director with the Michigan Cooperative Development Program (MCDP), described MCDP's unique arrangement with Michigan State University's (MSU) product development program and associated outreach activities.

The program has developed small business ventures, such as the Chestnut Processing and Marketing Cooperative. The cooperative was developed to help growers manage their chestnut harvests. This followed the successful introduction and adoption of a new, blight-resistant tree variety developed by MSU.

A key element to the success of these types of co-op development programs has been training Extension educators to also serve as business counselors for cooperative development.

Strategies and the big picture

Strategic planning is often key to achieving increased earnings and establishing a competitive advantage for a business. Myles Shaver, professor at Carlson School of Management at the University of Minnesota, offered a broader construct: strategic planning allows decision makers to say "no" to good ideas, he said.

There will be more good ideas than resources in any business situation, and a strategic roadmap can be used to evaluate tradeoffs between competing good ideas. These strategies, Shavers noted, support the mission and vision, or the overarching "good things" that, as owners, cooperative members decide the cooperative should pursue.

Mark Fenner, CEO of MFA Oil Co., described MFA's decision to refocus on its core business activities. It sold off its biofuels division and has pursued a mergers and acquisitions strategy to achieve growth in its bottom line.

Communications about the benefits

of change are an important part of managing the challenges that these changes bring at the staff level, Fenner said.

Good results from three-way dairy merger

FarmFirst Dairy Cooperative, Madison, Wis., is the result of a successful merger between three dairy cooperatives. All of the co-ops were in good financial shape at the time of the merger, but co-op leaders saw greater potential by uniting.

David Cooper, FarmFirst general manager, described how the strategic planning discussions concerning future operational goals and member benefit goals led to discussions about consolidation. A plan to merge was developed so that those goals could be better realized.

The excitement surrounding that decision was followed by substantial effort required to fulfill the due diligence process. Timing and communications for the merger

Sodiaal constantly adapts to changing EU and global dairy foods markets

By Lynn Pitman

Editor's note: The 2016 Farmer Cooperative conference included a presentation by Damien Lacombe, chair of the board of Sodiaal, the dairy cooperative based in France. The session provided thought-provoking comparisons between European and U.S. cooperative governance, as well as on the balance between cooperative and individual farmer interests.

SODIAAL is the largest dairy cooperative in France. Its $5.6 billion in annual revenue ranks it third among all European Union (EU) dairy cooperatives and fifth globally. The membership of more than 12,500 farms is located in 8 regions in France, producing 4.7 billion liters of milk annually.

The co-op has a history of growth through mergers, licensing arrangements and restructurings. It began life in 1964, when six regional dairy cooperatives formed a joint venture (Sodima) to sell their products nationwide. The following year, the cooperatives abandoned their regional brands and created Yoplait, a jointly owned national brand. The co-op became Sodiaal in 1990, with the mission of building more efficient supply chains for its members' fluid milk, cheese and other dairy products.

Beginning in 2005, the cooperative expanded through a series of major strategic acquisitions, mergers and partnerships with both French cooperatives and other firms. To compete more effectively in global commodity markets, the mergers were targeted to achieve the production efficiencies needed to remain competitive. It has also diversified its product lines to better manage risk, expanding into dietary and nutrition products, including infant milk powder. It has quality assurance programs for all of its producers.

Sodiaal also entered into a joint venture with General Mills, through which the latter company acquired 51 percent of the Yoplait yogurt operating company and 50 percent of Yoplait's brand portfolio. Sodiaal remains a joint shareholder in the operating company and the entity that owns the brands.

In 2014, Sodiaal merged with another French dairy cooperative, in anticipation of the elimination of EU milk quotas in 2015.

Mission: increase member's milk value

Sodiaal's mission is similar to that of many cooperatives: to increase the value of the farmer members' milk so that it can guarantee milk prices and to share the increased profitability with all members, Lacombe said. Given the open borders of the EU, adding value is a critical service that allows member dairy farmers to remain competitive.

Sodiaal works to meet a wide range of member dairy farmer needs. Some of its larger farms have been able to grow operations to achieve increased efficiency. But there are also members who operate small dairy farms, often in mountainous areas, where this type of growth approach is not feasible.

In these areas, the cooperative serves members who produce cheeses with a geographical indication (GI), which have different PDO (protected designation of origin) requirements for manufacturing that are determined outside of the cooperative. Sodiaal works within these requirements because the premium for PDO products allow farmer-members in those areas to continue dairy production. Sodiaal now owns 70 facilities, which includes smaller manufacturing operations in specific locales that meet PDO requirements.

Efficiency and education in governance

The co-op's merger and acquisition strategy has had implications for required careful handling to ensure that everyone had the same understanding by the time the memberships of the three cooperatives voted on the merger.

The post-merger board initially had 20 members, but has now transitioned to 9 members. As FarmFirst, the cooperative has been able to move forward with efforts to broaden programs and initiatives that benefit the producer-members in many ways.

Cybersecurity issues for co-ops

Technologies that have created efficiencies and opportunities for cooperative businesses have also brought big challenges. Cybersecurity issues that have arisen with the adoption of new technologies mean that co-ops must address continually evolving hacking threats.

Randall Romes, principal with Information Security Services at CliftonLarsonAllen, an Arlington, Va.-based business consulting firm,

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Sodiaal, the largest dairy co-op in France, produces a wide array of dairy foods. Inset photo: Damien Lacombe, the co-op's board chairman. Photos courtesy Sodiaal

Sodiall's governance structure. It has worked to develop a single governance system that is efficient and can support timely decision making.

A supervisory board, composed of the chairs of eight regional member districts, meets twice monthly to monitor the business and approve important milk contracts. Major decisions, including the hiring of a CEO, are approved by the larger 24-member board, which is made up of representatives from the member districts.

Board training is important to the cooperative. It has partnered with a business school in Paris to provide four levels of board training that focuses on finance, business strategies, marketing and cooperative business issues.

Another priority for the cooperative is to offer more training for young farmers. This program not only includes cooperative-specific topics, but also the study of business strategy and international markets.

Managing price volatility and profitability for members

Sodiaal developed a two-tier milk pricing system, implemented in 2011, in anticipation of dairy market price declines when EU borders opened.

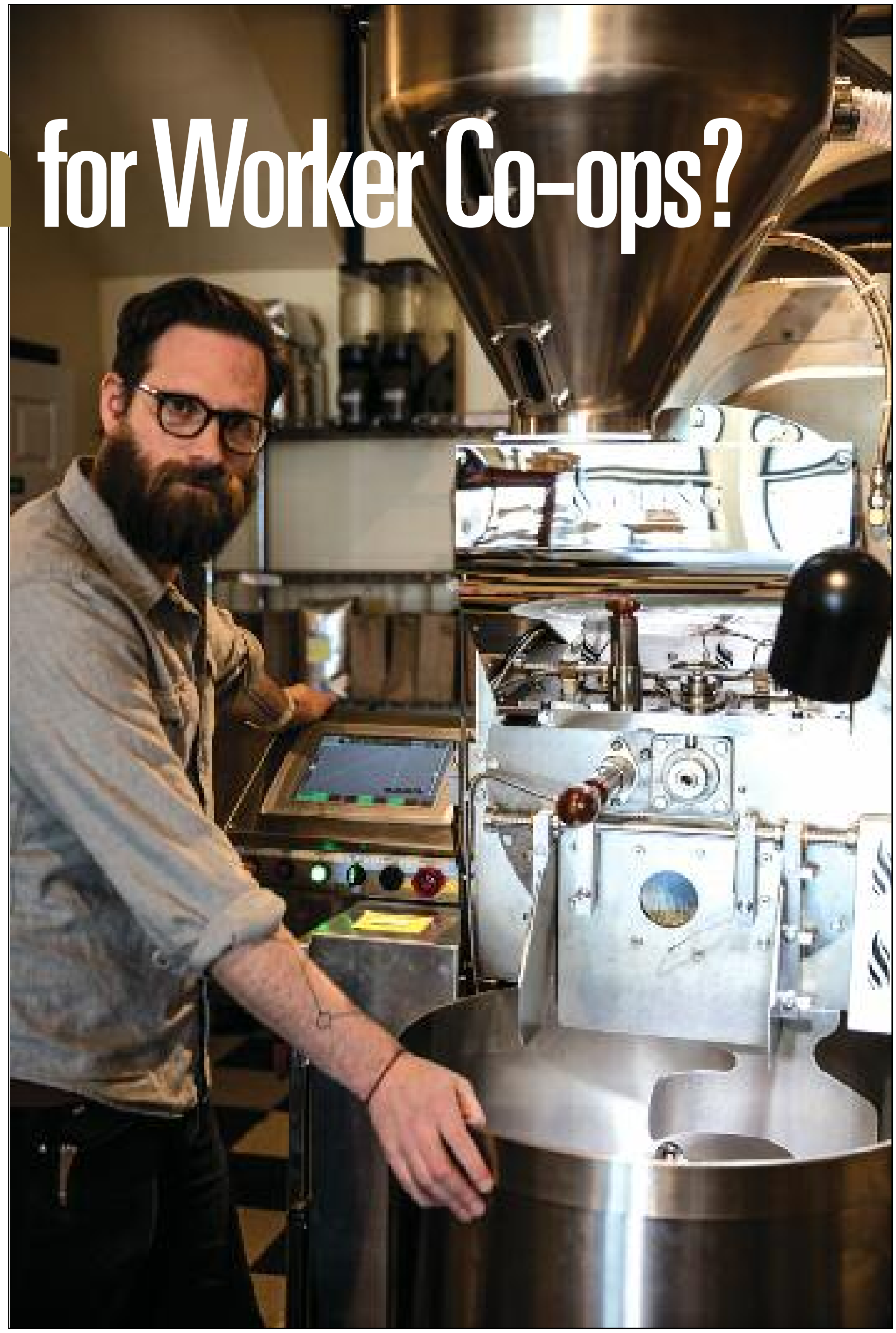
The cooperative offered an "A" price for a given volume, based on internal, stable markets. The cooperative built capacity to handle increased milk supply from members but offered a "B" price for that volume, based on the more volatile world price. The cooperative further manages milk supply by asking farmers to estimate their milk production three years in advance.

This pricing system has allowed the cooperative to participate in global markets, but also to buffer farmers from the effects of price volatility. The cooperative is now working to further manage volatility through futures and derivatives contracts and margin insurance.

Depending on the cooperative's profitability, a 13th milk check for the year may be distributed to members. The cooperative equity program currently is being reviewed with the goal of making it more understandable and transparent.

Lacombe said he expects an increase in worldwide demand for dairy products will be accompanied by increased competition. Balancing supply and demand through controlled growth, and providing quality products efficiently, will allow Sodiaal's farmer members to compete globally. ■

Next Boom for Worker Co-ops?

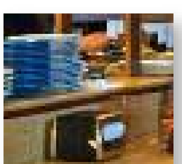


Rock City Coffee, which operates a coffee roasting facility (seen here) and a café in Rockland, Maine, is in the process of being converted into a worker-owned cooperative. Photos courtesy Rock City

Worker co-op movement aims to preserve jobs as 'baby boomer' business owners retire

By Keli A. Tianga

Editor's note: Keli A. Tianga is associate editor of Shelterforce magazine, published by the National Housing Institute, a nonprofit organization that examines housing and community issues. This article is an abridged version of one that originally appeared in the Spring 2016 issue of that publication. To read the entire article, visit: www.nhi.org/go/182/Tianga.



Susanne Ward and her husband, Patrick Reilley, moved from California to Maine in 1992 with plans of starting their own business. They decided on a used bookstore and coffee house, as they felt both good coffee and good books were in short supply in their new neighborhood.

Located in the city of Rockland, Rock City (named for the limestone quarries that fueled the city's growth in the 1800s) became a focal point in town for the artistic crowd. But Ward and Reilley struggled to find quality coffee that was reasonably priced.

Within three years, they'd moved into a bigger space that could house the bookstore, café and a space to roast their own coffee blend, which they began wholesaling. In 1999, they opened a coffee roastery a few blocks south of the café, outside of Rockland's historic district, producing and selling their blend, which also supplied Rock City.

For Ward, Rock City's employees were family, and even though some kind of employee ownership plan had been in the back of her mind as a "nebulous thing," she recalls that it never seemed like the right time. "As my husband would say, 'We have to operate in the black.'"

In 2010, in the midst of the Great Recession, Patrick passed away. The printed book market was also rapidly shrinking. "I knew that by myself I couldn't handle it all," recounts Ward. She sold the bookstore portion of the business to one of her employees and continued to run the roastery and café, both of which exceed full-time operations, with the café's kitchen and bakery serving breakfast and lunch, and hosting live music on weekends.

Five years later, things are better for Rock City, though certainly not perfect. And at age 64, Ward is ready to retire. With help from Rob Brown of the Cooperative Development Institute (CDI) in Northampton, Maine, she is now working on the details of transitioning Rock City to worker ownership.

"I had three goals I wanted to achieve, and I think a co-op can do those," she says. "Obviously, my own financial security has to be the No. 1 priority. Then survival of the business, as it's a really important part of our small town. And to keep it in the hands of the people who've made it a success."

Ward says the majority of her 23 employees have worked with her for at least 5 years, some close to 20 years. For the most part, they are people who wouldn't be able to own their own business without this opportunity, she says.

"I have no children. They're my family," she says. In part due to her personal and economic setbacks, Ward's transitioning of Rock City to a worker co-op is now a game of catch up.

"If my business had been profitable, I would have done something immediately," she says, "but I had to wait until we got ourselves back on our feet, and myself back on my feet."

Ward says she will be an employee-owner for at least two years after Rock City's conversion—likely as general manager—while her employees are at the beginning of the curve of learning and understanding the business. "They don't know what it's really like to run a small business on the coast of Maine, in a business that's largely seasonal," she says.

Rock City had a general meeting at which Brown made a presentation. The employees were excited, and have since chosen to form committees to get more involved in the process. Ward says she has also been putting into action some things she believes will help ensure the survival of the business, including a crowdfunding campaign to replace their roaster with an environmentally-friendly one.

Ward's advice to retiring business owners: "Don't wait. … Start five years before you want to retire, then you have time for shepherding your employee-owners without being so anxious to leave. Not that I don't love my business—I'm just tired!" she laughs.

Getting retirees on board

Advocates of worker cooperatives are hoping the advice of people like Ward will resonate with more and more "boomer" business owners.

Defined as businesses that are owned and operated by, and for, their workers, worker cooperatives are different from other business entities in that the worker-owners control the business and are its primary beneficiaries.

For people working on behalf of those who have largely been left out of the nation's economic recovery, the cooperative model presents one solution to the challenge of creating and retaining low- to mid-skill jobs with good pay, benefits and security. For workers, co-ops provide "outsource-proof" employment, because a successfully run business, owned and run by residents of a community, generates a cycle that creates and encourages growth that workers want to continue.

In times of profit, employees may choose to distribute it among themselves, or invest it back into the business. In turn, when business is slow, cooperatives

"Start [the transition] five years before you want to retire, then you have time for shepherding your employee-owners without being so anxious to leave."

Rock City workers and family members are taking on the role of worker-owners, a business transition fully supported by the retiring owner.

often will vote to accept short-term pay cuts across the board rather than resorting to permanent layoffs. According to the Sustainable Economies Law Center, cooperatives also promote employee health and happiness because worker-owners' business decisions are more likely to prioritize safe business practices, fair wages and other employee-focused benefits over profit.

Numbering 70 million strong, baby boomers (the post-war group of Americans born between 1946 and 1964) privately own more than two-thirds of all businesses with employees. This adds up to a potential loss of millions of jobs over the next 20 years as boomers transition into retirement. For many, the notion of passing the family business down to the next generation can't be counted on. A global study, co-authored by Campden Research and Prince and Associates, found that only 15 percent of family businesses passed through to the second generation, and even fewer to the third generation.

Of the majority of owners who will not be passing the family business on to a relative, many are interested in finding another way to ensure that their employees' jobs aren't lost because of their retirement. These are the owners that co-op advocates are trying to reach.

Brown, program director at the CDI in Maine, says that Ward's situation is not unique in the state. "Maine has the highest concentration of small businesses in the country. There are roughly 32,000 with employees—80 percent of them have fewer than 100 employees, 50 percent of these have fewer than 20 employees."

Maine has the oldest workforce in the country, and because the businesses also tend to be undercapitalized, Brown says most business owners aren't even thinking about succession planning, as they don't have much more than the value of their business.

Maintaining jobs and the company culture were the goals behind the conversion of A Yard and a Half Landscaping (AYHL) to a worker-owned landscaping company in Boston. "Everybody had faith that we could be our own bosses better than an unconcerned outsider," says Carolyn Edsell-Vetter, a 12-year employee of the business. Photos courtesy AYHL

Demographic age shift creates opportunity

Even with such strong headwinds, Brown believes his state, and the country, have the potential to capitalize on the demographic age shift, with help from political advocacy and the education of business owners and workers. "Nationally, the largest single source of avoidable job loss is from business closings due to owner retirement," Brown notes.

These realities are behind a push by groups like CDI and others to use a combination of advocacy, issue education and technical assistance to disseminate information about worker co-op conversions for businesses with retiring owners.

One of the largest such conversions to date is the Island Employee Cooperative (IEC) which operates a grocery/hardware/pharmacy business on Deer Isle, Maine (for more on this co-op, see the July-August 2014 issue of *Rural Cooperatives*, available in the co-op publications section at: www.rd.usda.gov). CDI worked on the financing for the worker co-op that took over the business when the long-time owners retired.

At the time of the conversion, all employees were presented the option of purchasing a share of the business for $5,000, which was made more accessible through payroll deductions, a common practice for worker-owned co-ops. "These are very much working-class people," says Gloria LaBrecque, CFNE's outreach officer for northeast New England. "They couldn't just drop

ESOPs an alternative to worker co-ops

Owners who are researching succession planning undoubtedly come across the ESOP, or Employee Stock Ownership Plan, as another ownership alternative. According to The National Center for Employee Ownership, there were more than 7,000 ESOPs covering over 13 million employees in the United States in 2015. In comparison, there are over 300 worker-owned cooperatives that employ approximately 7,000 people and generate over $400 million in annual revenue, according to research cited by the Democracy at Work Institute.

In an ESOP, a retiring business owner sells to a trust, which holds stock on behalf of the employees, rather than offering them direct ownership. When employees leave or retire, their shares are sold and they receive the proceeds.

For employees, ESOPs are more akin to a retirement plan than a participatory ownership model because, in most instances, the company structure remains the same, with professionally credentialed individuals in higher-level positions and non-employees on the board of directors. With ESOPs, workers generally do not make operational or investment decisions, and as such, they may be a better option for businesses whose employees tend to be less committed to long-term employment with the business.

For retiring owners, ESOPs have significant upfront costs as well as ongoing maintenance costs. But those costs tend to be less expensive than the legal, accounting and broker fees involved in an outright sale, according to consulting firm ESOP Partners. Most attractive are the tax-deferral benefits, both for selling owners and retiring employees.

The Vermont Employee Ownership Center (VEOC) is one of only a few nonprofit resource organizations that work with both co-ops and ESOPs, as each operates in fairly separate worlds regarding scale, complexity and investment required. "There's more education that has to happen with a co-op, but with an ESOP, [there is] a lot more money involved," says Don Jamison, executive director and co-founder of VEOC.

Jamison says retiring owner interest in worker co-ops is bound to increase simply because there aren't enough buyers to keep up with the number of businesses that will go up for sale. VEOC and other groups like it are demonstrating that beyond the altruistic case that can be made, worker co-ops can be successful and profitable. Their statewide Ownership Succession Seminar Series has gained popularity and provides real-life examples from individuals who have gone through various forms of ownership succession.

Cooperatives can be a next step after ESOPs. According to Jamison, "You find that once an ESOP [has] been there awhile, it's often the next generation of managers who say, 'We could make something of this. Let's start thinking about employee ownership.'" ■

down $5,000."

Ultimately, 62 jobs were saved with IEC's conversion, a process which took about a year.

It's "going to take about five years for them to really immerse themselves in being a co-op, understand how that works, and the rocky road of self-governing and managing," says LaBrecque. The lending bodies also require that the co-op have technical assistance in place for the next several years.

Brown asserts that more workforce training programs can be tweaked to fit the worker co-op model, "helping low-skilled workers gain skills for jobs that already exist." He wants to develop a "workers-to-owners toolkit" in collaboration with adult education associations.

The 1980s saw a push at the state and federal levels to increase awareness of, and provide tax incentives for, businesses wanting to convert to worker cooperatives. "Ronald Reagan was a champion of worker cooperatives," says Brown. But the issue of capital has always loomed large, as many banks perceive greater risks in financing worker cooperatives.

Camille Kerr of the Democracy at Work Institute, the only national organization focused on worker cooperative development, says that institutions with a mission or history of co-op lending, like CFNE, tend to provide the initial capital. But many conversions also have an element of seller financing, with the business owner giving a loan to employees.

Future owners can also chip in directly by purchasing shares in the company in order to become members. The price of a share can vary, as it doesn't represent the value of the company so much as "skin in the game," according to Brown. "It should be a stretch, but shouldn't price anyone out. You want all the employees to share in ownership." A general rule of thumb is usually that membership should not exceed the cost of a good used car.

All of these forms of capital are what is referred to as "first-loss" money, and, if sufficient, can encourage traditional banks to come to the table, says Kerr.

But even with capital in place, it is still sometimes a stretch to get banks on board because of their lack of familiarity with the cooperative ownership structure, says Margaret Lund, a consultant specializing in shared ownership strategy. "Conventional banks are used to individual or 'mom and pop' types of owners, as opposed to a group—they want to know: who is *truly* responsible?"

Lund says that though she personally knows of about a dozen CDFI-financed conversions, they would be ideal to fill the role of an outside partner to help shepherd the process along. She believes the scenario that's "healthiest is to have a traditional lender and, hopefully, a community-oriented one."

Changing the culture

Today, advocacy groups are stressing the imperative for more states to make employee ownership more enticing in an effort to stem the looming job losses as baby boomers shutter their businesses. A bipartisan effort in Iowa recently approved a package bill of incentives, including a 50-percent deduction from state income taxes for the net gain from the sale of stock to an employee-ownership model. Late in 2015, the City of New York voted to invest $1.2 million in worker cooperative development, believed to be the largest amount ever invested by a city government.

Even though the lead-up to a conversion can take several years of research and contemplation, the transaction itself usually takes only nine months to a year. The real work, as owners and employees attest, comes in the years after.

"The shift from a culture of hierarchy to one of co-owners can take years, depending on where [the] culture started," she says.

For Kerr, it is clear that the reward outweighs the risk. The likelihood of success is no greater—but also no worse—for a business owner selling to their employees or to an outside entity. "What are the options?" she asks. "Sell to another company whose culture might not match yours? Sell to private equity, where quite often the managing firm will try to extract wealth and shell the rest? If you want to maintain your jobs, I see this as a much better option."

Learning to run a business

Maintaining jobs and company culture was the goal behind the conversion of A Yard and a Half Landscaping, now a worker-owned landscaping company in Boston.

Its original owner and founder, Eileen Michaels, started her landscaping business in 1988 and ran it until 2012, when she saw retirement on the horizon. She had been looking at the worker co-op model as part of her succession planning, and proposed it to her employees.

"There was some trepidation," says Carolyn Edsell-Vetter, a 12-year employee of A Yard and a Half Landscaping and now a co-owner of the company. "In principal, people thought it was a good idea, but in terms of how it would play out, there are obvious risks . . . but it was clear that it was better than selling the business. Everybody had faith that we could be our own bosses better than an unconcerned outsider."

Many of the company's employees were recent immigrants who had few financial resources and little knowledge of formal business structures, so the hurdles on their journey to worker ownership were greater than average. Edsell-Vetter said their list of needed resources started at a very basic level.

"Unless you have an owner willing to pay, you have a really under-resourced group of folks [needing] fairly expensive help. [For] the accountant, the lawyer, we [employees] had to come up with the money," says Edsell-Vetter.

During the process, Edsell-Vetter says she had two full-time jobs: her days were spent as an employee of A Yard and a Half while her evenings were spent in the role of bootstrapping business co-owner for the company. This work involved completing paperwork, making financial projections and writing a business plan, rules of participatory ownership and bylaws. She credits the Cooperative Fund of New England for supporting the company with referrals to the professional services they required, and the supportive group of worker-owned co-ops in the Boston area for serving as a great information resource. "One of the [co-op] principles is cooperation among co-ops," she says.

A Yard and a Half's conversion process began in 2012 and was complete by 2014. Because of the competitive, high-pressure business that the company is in, Edsell-Vetter says the owners decided to keep their existing management structure and adapted a matrix from Namaste Solar, a worker co-op formed in 2011, for operating procedures. Edsell-Vetter says self-governance is daily work, but having the procedures to refer back to is helpful.

"When you have one owner, it's kind of the 'Wild West.' They [an owner] can be arbitrary with their decisions. Now, we have to look at precedent, and it's been interesting to change mindsets to say: 'We have to have some standard operating procedures.'"

Today, A Yard and a Half is growing, with 28 employees, 10 of whom are owners. The company just hired four new employees, who will begin a three-year candidacy period to become eligible to join the cooperative. "It takes that long to decide if someone has what it takes to be a co-owner," says Edsell-Vetter. Some original employees who'd had hesitations before are now interested in co-ownership, and the company is in the middle of planning its first membership drive. ■

USDA updating and digitizing state cooperative statute database

By Meegan Moriarty

Editor's note: Moriaty, who has a J.D. from Georgetown University Law Center, is cooperative legal and policy analyst with USDA Rural Business-Cooperative Service.

Since first published by USDA in 1982, *State Incorporation Statutes for Farmer Cooperatives*, by James Baarda, has helped individuals form cooperatives and stay compliant with cooperative state laws. The 715-page book details and compares state agricultural and general cooperative statutes.

The book is long out of print and long past due for updating. Good news: USDA is engaged in an effort to not only update the book, but to move it — and related legal information for co-ops — to a web-based platform. This change should make the information more accessible, easier to use and much easier to update. The database is designed to be useful for cooperative promoters, educators, members, management, directors, accountants, lawyers, policymakers, regulatory entities and scholars. The work is being done by over 30 volunteer researchers located across the United States.

On Oct. 26, members of the cooperative community gathered at the National Press Club in Washington, D.C., where details of USDA's new State Cooperative Statute Library were discussed. While working as an attorney with USDA, Baarda wrote extensively on cooperative state laws, federal tax law and antitrust law. When he was researching and writing the book, he did not realize that the cooperative community would provide him with such positive feedback about it and use it so extensively, Baarda told the gathering.

"All of the work on the project was done before personal computers were available, before the statutes were in electronic form to [permit easy] searches and reproduction, and before drafting and redrafting was mere keyboard work," Baarda said. He sees major advantages to transitioning the database to the internet.

USDA's State Cooperative Statute Library will provide cooperatives with access to a description of the provisions of general purpose, worker and agricultural cooperatives in all 50 states, the District of Columbia, U.S. territories, and tribal law. For business developers in states with older, less sophisticated cooperative laws, the statute library will help them find state statutes that meet their business needs.

Many states have cooperative laws that only permit the incorporation of agricultural or utility cooperatives. However, some state cooperative statutes have evolved over time to allow cooperatives to organize for any purpose. Others allow for worker cooperatives and have specific provisions that address issues that arise under that business model. Still other state laws allow innovative means for capitalization, allow co-op organization using a limited liability company (LLC) structure, or permit multi-stakeholder cooperatives.

The State Cooperative Statute Library is designed as a reference for individuals who want to quickly assess specific provisions in different state laws. The library will provide a provision-by-provision description of state laws, based on subjects such as cooperative purpose, powers, formation, articles of incorporation, bylaws, membership, control, directors, officers, patronage, finance, merger, consolidation and dissolution.

For attorneys drafting articles of incorporation and bylaws, the database can provide information on cooperative practice and statutory language used in other states.

The database also includes answers to questions on how cooperatives are treated under specific states' securities, antitrust, escheat, and unclaimed property laws. Further, states' cooperative tax regimes are described, including state law provisions regarding cooperative income tax, franchise taxes, sales taxes, the domestic production credit, and other taxes and exemptions.

The database will provide an Excel spreadsheet with 15 pages, each on a unique cooperative subject. Each page will compare cooperative statutes based on about 25 specific cooperative issues; about 375 issues, in total, will be addressed. The database also provides (in a PDF format) information specific to a particular cooperative statute.

Reducing transaction costs

The database will help reduce transaction costs by quickly pointing business developers toward friendly statutory language. Individuals will be able to find a cooperative law that accommodates their business needs and — because states are required to recognize each other's laws — incorporate under the best cooperative state law for their particular situation. When assessing whether to enter another market, entrepreneurs will have easy access to a description of that state's cooperative law. For attorneys drafting articles of incorporation and bylaws, the database can provide information on cooperative practice and statutory language used in other states. Further, the database can be used as a resource for individuals drafting model cooperative legislation.

For example, a new California law made it easier to operate as a worker cooperative and raise business capital. Georgia does not have a general-purpose cooperative law, so individuals there can learn about the California law from the USDA State Cooperative Statute website and incorporate under it.

Another example: Leaders of a new food co-op want to organize as a multi-stakeholder co-op, which would include farmers, craft people, consumers and employees as members. However, their state has no such provisions in its co-op law. In such a case, an out-of-state cooperative statute could be an attractive option. Or an individual in Louisiana may look to Minnesota to take advantage of the state's innovative cooperative capitalization provisions or partnership structure.

Depending on resources, USDA's new state cooperative statute library may be expanded to include other types of cooperative law, including utility cooperatives, credit union and health care cooperatives. Research for the website is being provided by attorneys and accountants who are experts in their state's cooperative law. The researchers will remain liaisons to their state and will update research as laws change.

Part of a global co-op law database

This on-line co-op law library will also become part of a global database of cooperative law. Rodrigo Gouveia, director of policy for the International Cooperative Alliance, says the Cooperative Alliance has assembled a committee to create an international database of cooperative legal and academic texts.

The global database will house legislative materials, including constitutional provisions on cooperatives, general cooperative laws and co-op laws for specific sectors, such as agricultural, worker or consumer cooperatives. The database will also include court cases and academic studies.

Initially, 40 countries will be represented — 10 each from the Americas (including the United States cooperative library), Africa, Asia and Europe. Gouveia mentioned that in the Americas, the United States, Canada, Guatemala and Argentina will be represented.

If a country has an existing cooperative law database, the international cooperative website will link to it. The database will also include regional cooperative laws, such as the European Cooperative Society regulation. The regulation, adopted in 2003, was enacted to help citizens in European Union member countries to form cross-border cooperatives.

The Cooperative Alliance chose the 40 countries based on ease of finding data, strong membership in cooperatives within the country, and the geographic spread, according to Gouveia, who represents the Cooperative Alliance to global institutions such as the G20, the United Nations and its specialized agencies.

The database should also provide a platform for an international community of legal experts. It will be in English, Spanish and French, generally with legal texts in their original languages. The Cooperative Alliance is using translated materials from FAOLEX, the electronic database of international agricultural law of the Food and Agriculture Organization of the United Nations. FAOLEX has translated many agriculture-related laws into English. The committee formed to create the database is made up of two people from each region.

After the International Cooperative Alliance assembles the cooperative law, Rodrigo said that cooperative experts will create a report on the major characteristics of the cooperative laws in each country. The report may provide insight into best practices with respect to cooperative regulatory environments.

Availability of State Co-op Statute Library

The National Cooperative Business Association will house research done for USDA on specific state statutes at https://www.ncba.coop/ncba-advocacy/1653-state-by-state-provision-by-provision-comparison-of-u-s-co-op-statutes-now-available until the USDA web page is ready. E-mail Meegan Moriarty at Meegan.Moriarty@wdc.usda.gov for a copy of the Excel spreadsheet that provides a provision-by-provision comparison of the statutes. ■

Hall of Fame Inducts "Co-op Heroes"

Five outstanding cooperative leaders (including a husband and wife team) are receiving the cooperative community's highest honor: induction into the Cooperative Hall of Fame. These cooperative leaders will be recognized at the annual Cooperative Hall of Fame dinner and induction ceremony in Washington, D.C., on May 3. A public forum on cooperative development and leadership will be held that afternoon.

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

This year's honorees are:

Rita L. Haynes

CEO emeritus, Faith Community United Credit Union

ATTRACTED to the credit union movement by its motto- "not for profit, not for charity, but for service," in 1958, Haynes began three decades of volunteer work for the Mt. Sinai Baptist Church Credit Union (BCCU). She shepherded the institution from a tiny office in a church basement to a free-standing credit union occupying a former bank branch office on Cleveland's east side, a financially disadvantaged community.

Under her direction, the credit union provided not only much-needed financial services for church members, but also the guidance and financial education to help members build assets. Today, it serves about 6,000 members and has $12 million in assets.

From 1982 to 1992, Haynes chaired the Inner City Association of Minority Credit Unions, comprised of 28 church credit unions in Cleveland. During those years, Mt. Sinai BCCU and Antioch BCCU signed an agreement with Cleveland's Minority Business Development Department to establish a $200,000, revolving-loan fund to provide small business loans to minority contractors.

With the abandonment of Cleveland's inner city by banks and savings and loans, in 1989 Haynes decided that Mt. Sinai BCCU's future lay in providing financial services to the entire community. She worked with a community cooperative organization, comprised of businesses and religious organizations, to obtain a charter for Cuyahoga County, which includes inner-city Cleveland. In the process, Mt. Sinai BCCU changed its name to Faith Community United Credit Union in 1990, opening membership to anyone living, working or worshipping in Cuyahoga County. A year later, it became self-supporting and doubled its membership.

In 1997, Haynes led the credit union effort to attain the U.S. Treasury Department's certification as a Community Development Financial Institution (CDFI). In 1999, Faith Community United CU became an approved Small Business Administration lender.

In the late 1980s and early 1990s, before the dangers of predatory lending were widely recognized, Faith Community United CU's innovative loan programs provided community members with a trustworthy and affordable alternative to payday lending. Under Haynes' direction, Faith Community also established a "Wheels" program that helped people pay for car repairs needed to get back to work. She has testified at numerous congressional hearings about the dangers of predatory lending.

In 2005, Haynes received the Pete Crear Lifetime Achievement Award from the African-American Credit Union Coalition. In 2009, she received the highest award within the credit union movement: the Herb Wegner Award for Individual Achievement. She has served on a number of credit union industry boards.

John D. Johnson

Retired President & CEO, CHS Inc

BORN IN RHAME, N.D., to parents who ran a wheat farm and cattle ranch, Johnson developed a love of the land and the people who earn their livelihoods from it. After earning a Bachelor's degree in business from Black Hills State University, he began his cooperative career as a feed salesman with GTA Feeds.

During the mid-1970s, Johnson worked his way up through the Minnesota-based co-op, which merged with North Pacific Grain Growers in 1983 to form Harvest States Cooperative. By 1995, Johnson was its president and CEO.

As competition within the ag industry intensified, Johnson envisioned a revolutionary path for Harvest States, beginning with a merger he helped orchestrate. During this critical point in his career, he was also battling cancer. Still, in 1998 Harvest States and Cenex, an agricultural supply and energy cooperative, successfully merged under Johnson's guidance to create CHS, a grain-marketing, energy and agricultural cooperative serving members across the Midwest, West and Pacific Northwest.

The merger was a game changer in the cooperative movement, positioning CHS to compete in the global agribusiness market. Two years later, Johnson became the co-op's president and CEO. Under his leadership, CHS consistently outperformed most of its public-company competitors and secured its current status as the nation's largest farmer-owned ag co-op. The company's revenue grew from $8 billion to $40.6 billion during his tenure.

Johnson then set his sights on taking the co-op global, initially not an easy sell for a co-op whose members were exclusively U.S. farmers and ranchers. Johnson convinced stakeholders that the co-op needed to be global to effectively serve its members and survive in an increasingly global marketplace.

Alleviating hunger was another of his priorities, especially for supporting summer food programs and local food banks that made sure poor children wouldn't go hungry when school was out. In 2009, the Greater Twin Cities United Way honored Johnson for his decades of commitment with its award for "Best CEO Involvement."

Johnson was also a strong supporter of ag education and leadership development. During his time as CEO, the CHS Foundation presented more than $2.5 million in scholarships to high school and college students pursuing studies in agriculture.

As a member of the National Council of Farmer Cooperatives (NCFC) board for more than a decade, Johnson helped guide the trade organization through turbulent times for agriculture and farmer co-ops, never leaving any question about his commitment to the cooperative model or belief in its huge potential for improving the economic well-being of member-owners.

Richard Larochelle

Retired Senior Vice President, National Rural Utilities Cooperative Finance Corporation

AFTER GRADUATING from Worcester State College, Larochelle accepted a position with the Rural Electrification Administration (REA), now USDA's Rural Utilities Service. During a brief stint as a rate analyst with the Boston Edison Co., he gained a new appreciation for the difference between investor-owned and co-op business models.

Having embraced the cooperative model as a catalyst for bettering the lives of rural Americans, Larochelle in 1984 joined the National Rural Electric Cooperative Association (NRECA) as an economic and policy analyst. He quickly moved to NRECA's Government Relations Department, where he was chief lobbyist for a decade.

At the time, rural America had largely missed out on the economic resurgence sweeping the nation. Ag income had hit some of its lowest levels since the Great Depression and farm foreclosures headlined nightly newscasts. Having already electrified much of rural America, Larochelle believed utility cooperatives were uniquely positioned to further improve the rural quality of life.

In the early 1990s, Larochelle helped NRECA and its members secure passage of the federal Rural Electrification Administration Improvement Act, which allowed cooperatives to buy out REA direct and insured loans at a discount, eliminating much of the red tape for borrowers. He focused on the emerging satellite television industry, in which many electric co-ops had invested. Cable channels were then charging satellite providers up to 500 percent more than local cable companies for the same programs, deepening an information gap between rural and urban/suburban America.

The Cable Television Consumer Protection and Competition Act was initially vetoed in 1992, but Larochelle successfully worked to convince Congress to override the veto, based on his belief that that access to satellite television had the same potential to transform rural America as power lines did in the 1930s-40s.

In 1996, Larochelle joined the National Rural Utilities Cooperative Finance Corporation (CFC) as director of corporate relations. Two years later, he became CFC senior vice president of corporate relations, where he helped electric co-ops emerge from the deregulation era stronger than ever. While at CFC, he also encouraged the organization to contribute millions to NRECA International, believing that electric co-ops were ideally suited to bring electricity and economic progress to the developing world.

Now retired, Larochelle serves on the Cooperative Development Foundation board and is involved with a startup food co-op in his community. In 2016, the University of Mary Washington offered its first course on cooperative business with Larochelle as adjunct professor, educating a new generation on the benefits of cooperatives.

John & Carol Zippert

Director of Program Operations and Cooperative Activist, Federation of Southern Cooperatives/Land Assistance Fund (Federation)

IN 1967, a young couple in St. Landry's Parrish won a milestone lawsuit to become the first interracial couple married in Louisiana. He was in town to register minority voters and integrate businesses following the passage of the Voters Rights Act of 1965. She had earned a coveted spot from Southern Consumers' Cooperative in Louisiana to study cooperatives.

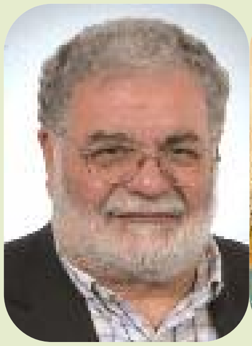
Partners both in life and the pursuit for racial, social and economic justice in the South, John and Carol (Prejean) Zippert continue to embody the principles and priorities of the two movements that shaped their lives: the civil rights movement and the cooperative movement.

Father A. J. McKnight, himself a Cooperative Hall of Famer, first kindled the couple's passion and commitment to cooperatives. The Federation was chartered the same year they were married. From the 1960s onward, their lives progressed in lockstep with the mission of the Federation and the growth of the cooperative movement in the South.

For 45 years, John has served as the director of program operations for the Federation at its Rural Training and Research Center in Epes, Ala., where he promotes cooperative economic development for low-income and minority people in 10 Southeastern states. Following Hurricanes Katrina and Rita, he expanded the center's reach to include relief work, enlisting cooperatives to help in recovery efforts along the Gulf Coast.

John has trained staff, mentored countless young people and designed programs to further sustainable small farming and cooperative development, winning the Federation's top staff honor multiple times.

John is a champion of cooperative development, a co-op policy analyst and a cooperative historian currently writing a book about the Federation. His has made contributions to housing co-ops and affordable housing for low-income people in Alabama. He helped former tenant farmers form the Panola Land Buyers Association and buy 1,164 acres of land in 1970. In 1980, the association established a housing cooperative. John also played a critical role in the Southern Grassroots Economics Project, which works to build democratic ownership in the U.S. South and hosts CoopEcon, an annual training institute for cooperative members.



Carol, who earned her Ph.D. in Educational Leadership, Supervision and Curriculum Development from the University of Alabama, is a self-described "community worker" who dedicated five decades to building leadership and developing co-ops with the Federation. She continues to volunteer with the Federation as well as supporting grassroots community groups.

She is currently an adjunct research professor and resource specialist for Tuskegee University's Community-Based Youth Partnerships. Carol has long been involved with the 21st Century Youth Leadership movement and continues to serve on its board. She is also president and founder of the Greene Country Employees Federal Credit Union, serving one of the nation's poorest counties.

Since 1985, the Zipperts have published the Green County Democrat Newspaper, a weekly publication primarily serving the African-American community. ■

Co-op developments, coast to coast

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

Breaking down barriers – CoBank is helping up to 50 armed forces veterans from rural areas enroll in No Barriers USA. This program uses outdoor activities to help vets overcome physical and mental challenges. Here, program participants climb in the rugged San Juan Mountains of southern Colorado. Photo by Didrik Johnck, courtesy No Barriers USA

CoBank effort to help rural veterans

CoBank is launching a program for veterans with disabilities from America's rural communities. In partnership with its customers and a nonprofit group, No Barriers USA, CoBank will sponsor up to 50 veterans from rural areas across the nation to participate in outdoor expeditions that challenge them mentally and physically, helping them to transform their lives.

Cooperatives and other eligible CoBank borrowers will be able to nominate veterans from their local communities to participate in the No Barriers Warriors program, with CoBank covering the full cost for each veteran, including travel expenses. Selected veterans will go through the program in 2017.

"Every American owes an enormous debt of gratitude to the men and women who serve in the armed forces and protect our country," says Bob Engel, who stepped down as CoBank's CEO the first of this year. "Those who are wounded or injured in the course of duty are even more deserving of our thanks. At CoBank, we want to do our part to honor veterans and repay them for their service to the nation."

Engel noted that more than 5 million of the nation's 22 million veterans are located in rural areas and called on the bank's customer base to help identify deserving participants for the No Barriers program. "Rural America produces a disproportionate share of the nation's military personnel," Engel noted. "We need our customers to help make this program successful by nominating individuals from their communities who would benefit from the No Barriers experience."

No Barriers was co-founded by Erik Weihenmayer, an internationally renowned mountain climber and the only blind person in history to reach the summit of Mt. Everest. Weihenmayer has been a regular speaker at CoBank meetings over the past several years.

Nominations are due from CoBank customers by May 1, 2017. Detailed information about the nomination process and requirements is available at www.cobank.com (search "No Barriers").

CoBank is a $120 billion cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States

Minnesota co-ops to merge

Members of FCA Co-op have approved a merger with Crystal Valley Cooperative. Of 465 ballots cast, 333 voted "yes" vs. 132 "no" ballots. The pro-merger vote was nearly 72 percent, exceeding the two-thirds majority required for passage, according Dan Jones, board chairman for Crystal Valley Cooperative.

Members of Crystal Valley, based in

Lake Crystal, Minn., had previously approved the merger. Both co-ops operate grain, feed, agronomy and energy divisions.

Crystal Valley, which began operation in 1927, has 10 locations serving Blue Earth, Brown, Le Seuer, Nicollet, Steele, Watonwan and Waseca counties and surrounding areas. Crystal Valley has more than 160 fulltime employees.

Founded in 1909, Jackson-based FCA Co-op currently maintains facilities in seven communities spanning Jackson, Martin and Nobles counties. FCA employs 80 full-time and 20 to 25 seasonal workers.

The merger will become effective on March 1, but the two boards and employee teams have been working together since the FCA vote in late November. Roger Kienholz took over as interim general manager for FCA on Dec. 1, and has been managing both organizations until they merge.

A new board will be selected from the existing directors, with three members coming from FCA and six members from Crystal Valley. They will serve by appointment until the 2018 annual meeting, when those directors whose terms are up will stand for re-election by the membership.

Prairie Farms Dairy, Swiss Valley plan merger

Prairie Farms Dairy and Swiss Valley Farms have entered into a merger agreement to create a combined business that will bring together two well-known brands and expand sales opportunities for both cooperatives, the two co-ops said in a joint announcement. Under the agreement, the assets of Swiss Valley will merge into Prairie Farms.

The combined company will operate under the name Prairie Farms Dairy Inc. Terms of the merger agreement must be approved by cooperative members from both companies. If approved, the deal is expected to close in mid-2017.

"The merger with Swiss Valley was driven by our commitment to build value for our cooperative members and is consistent with our growth strategy," says Ed Mullins, executive vice president and CEO of Prairie Farms. "Swiss Valley's contributions will allow us to diversify our product portfolio and expand into new markets."

"This merger offers numerous benefits for our cooperative members and is an ideal opportunity to bring together two industry leaders," Hoeger adds. "We will leverage the strengths of both companies to offer a broader range of products and to enhance and expand relationships with customers."

Swiss Valley assets include five manufacturing plants that produce cheese and whey powder. The plants are located in: Luana, Iowa; Shullsburg and Mindoro, Wis.; and Rochester and Faribault, Minn. Swiss Valley Farms CEO Chris Hoeger will continue to oversee the operation of these plants.

Prairie Farms, headquartered in Carlinville, Ill., has more than 600 farm families as members, 5,700 employees, 35 manufacturing plants and over 100 distribution facilities. Its annual sales top $3 billion. It is known for "setting the standard for milk flavor innovations and producing award winning milk and dairy products." Its distribution footprint covers more than 30 percent of the United States.

Swiss Valley Farms, headquartered in Davenport, Iowa, has 400 dairy producer-members in Iowa, Wisconsin, northern Illinois and southern Minnesota. It had sales of $373 million in 2015. The co-op manufactures a line of award-winning chesses, as well as pasteurized process cheeses and cold-pack club blends, among other products. It operates two subsidiary companies: Rochester Cheese and the Caves of Faribault. As a joint venture, it operates White Hill Cheese Co. LLC in Shullsburg, Wis.

Cramer wins Co-op Builder Award

David Cramer, president and CEO of United Cooperative, Beaver Dam, Wis., is the 2016 recipient of the Cooperative Builder Award from the Cooperative Network, the regional co-op trade association for Wisconsin and Minnesota. The award is Cooperative Network's highest honor, given to individuals who have made significant contributions to the cooperative movement.

Cramer was recognized for his service to cooperatives and for building United Cooperative into the largest farm supply cooperative in Wisconsin, with locations in more than 30 communities. Serving first as general manager of the Dodge County Cooperative in Beaver Dam, Cramer built the business from a $7-million-per-year operation into United Cooperative, with more than $570 million in annual sales.

DFA to support innovative ag-tech businesses

Dairy Farmers of America (DFA), the nation's largest farmer-owned dairy cooperative, has announced its sponsorship of the 2017 Sprint Accelerator, an innovative program that helps accelerate and grow startup businesses. DFA's program will focus on startups in the ag-tech arena, which can offer support and foster technologies to help manage the cooperative's nationwide operations.

Specifically, the cooperative is

looking for ag-tech startups with applications related to any portion of the dairy value chain, including (but not limited) to: product testing, data management, herd health and management, supply chain optimization, sustainability and traceability.

"This partnership with the Sprint Accelerator offers us a unique opportunity to connect with ag-tech entrepreneurs who have ideas on how technology can bring greater value to our dairy-farmer owners — whether it's on the dairy farm, in the transportation network, in our plants, even connecting with consumers in grocery stores, farmer's markets or at the dinner tables," says Monica Massey, senior vice president and chief of staff at DFA.

As a sponsoring company for the Accelerator, DFA will provide mentorship, connections and resources to help accelerate the growth of the ag-tech startups selected.

Applications are open now at www.sprintaccelerator.com. The 90-day program will begin on April 3, 2017.

Land O'Lakes to purchase Southern States' feed business

Land O'Lakes has signed a letter of intent to acquire Southern States Cooperative's animal feed business. This letter follows the announcement earlier this year that Southern States had entered into a supply agreement with Land O'Lakes through its WinField United crop inputs and insights unit.

"This is an excellent opportunity to expand our relationship with Southern States and increase our animal feed business in the eastern U.S.," says Chris Policinski, president and CEO, Land O'Lakes. The proposed acquisition reinforces a commitment by both parties to help their customers continue to compete with industry-leading products and services in an era of industry consolidation.

"We are looking forward to engaging with the Southern States members and customers to understand their needs," says Beth Ford, group executive vice president and chief operating officer for Land O'Lakes. "We plan to provide uninterrupted access to the Southern States-branded products customers trust for their animals."

"Our members will continue to receive the same level of service from our retail locations while benefitting from Land O'Lakes' feed business, Purina Animal Nutrition, and their knowledge and experience in manufacturing the quality feed our customers expect," says Jeff Stroburg, president and CEO of Southern States Cooperative.

The purchase was expected to be completed by the end of January.

Potato co-op names Klompien CEO

United Potato Growers of America has chosen Mark Klompien as the co-op's next president and CEO, succeeding Jerry Wright. Klompien

previously served for four and half years as president of the Idaho Grower Shippers Association. Prior to that, he was vice president of supply chain management at Idahoan Foods. He also spent 18 years at Basic American Foods, where he held positions in engineering, operations, raw material, supply chain, procurement and government relations.

Klompien has spent virtually his entire life around potatoes, from growing up and working on his father's seed-potato farm in Montana, to his lengthy career in the potato processing industry. He has worked firsthand with all of the grower-shippers in Idaho, as well as most other potato-producing states, and has built positive and trusting relationships along the way.

Klompien has served as chairman of the Potato Executive Committee for the Idaho Association of Commerce and Industry and on the College of Agriculture advisory board for the University of Idaho and on the board of the United Fresh Fruit and Vegetable Association. Klompien holds a Bachelors degree in agriculture engineering from Montana State University and has completed the Stanford Graduate School of Business executive program.

"Jerry Wright's contribution to the potato industry is immeasurable," says co-op Chairman Jed Ellithorpe. Along with principal cooperative founder Albert Wada, Wright was a key organizer and recruiter for potato co-op. Wright plans to now devote his time to volunteer church work, focusing on worldwide self-reliance programs.

Organic Valley, Dean Foods in joint venture

Dean Foods Co. and CROPP (Organic Valley), the nation's largest organic foods cooperative, are forming a joint venture to bring organic milk to retailers through Dean Foods' processing plants and refrigerated direct-store delivery (DSD) distribution system. The 50/50 joint venture will serve as a strategic growth platform for both companies. The joint venture expects to begin processing and shipping Organic Valley products in mid-to-late 2017.

Dean Foods will provide processing services and distribution through its extensive refrigerated distribution network. Organic Valley will provide a select portfolio of recognized brands and products, marketing expertise and access to an organic milk supply from its dairy farmers. Both Dean Foods and Organic Valley will leverage their sales expertise to drive distribution.

Dean Foods brings extensive experience in sales channels — such as large format stores, dollar stores and C-stores — while Organic Valley brings expertise in the natural foods channel, emerging markets and specialty distributors.

"This partnership reinforces Organic

Valley's mission to support more organic farmers and grow our business," says George Siemon, CEO of Organic Valley. "Consumers will enjoy the same Organic Valley quality they've come to know and trust: the same farmers will supply the same organic milk. But now more Organic Valley organic milk will be on more grocery shelves across the country."

"Adding Organic Valley to the current lineup of Dean Foods-branded dairy products enables Dean Foods to offer retail customers the largest and most comprehensive dairy offering across multiple segments with national brands that consumers know and trust. It also allows us to further leverage our manufacturing and distribution network," says Gregg Tanner, CEO of Dean Foods.

CHS Income down sharply for '16

CHS Inc. had $424.2 million in net income for its fiscal 2016 (which ended Aug. 31), down 46 percent from $781 million for 2015, the co-op reported in November during its annual meeting. The income decline reflects lower pre-tax earnings within the co-op's Energy and Ag segments, as well as in its Corporate and "Other" units.

Lower earnings in the latter two business segments were partly offset by increased pretax earnings in the co-op's Foods segment, as well as by seven months of earnings from its Nitrogen Production segment, created by an investment CHS made in CF Industries Nitrogen LLC in February 2016.

"These results reflect the continued economic down cycle in the company's core energy and agriculture businesses, as well as the impact of one-time events. Like others in our core businesses of agriculture and energy, the ongoing global downturn continued to affect both our earnings and revenues in fiscal 2016," says Carl Casale, CHS president and CEO.

Co-op revenue for 2016 was $30.3 billion, down 12 percent from $34.6 billion for fiscal 2015, primarily due to

NCB Co-op 100 revenue tops $223 billion

The annual *NCB Co-op 100*, a listing of the nation's largest 100 cooperatives, based on revenue, shows that these businesses posted combined revenue of $223.8 billion in 2015. The list, compiled by National Cooperative Bank (NCB), includes co-ops from all business sectors, whereas USDA's Top 100 includes only agricultural co-ops (as reported in the Nov-Dec. 2016 *Rural Cooperatives*).

"The economic impact of cooperatives is critical to our economy," says Charles E. Snyder, president and CEO of NCB. "The cooperative business model can be seen in just about every industry across America, from local food to finance to housing and energy. Cooperatives remain a trusted, viable and successful business model. They create jobs and build community. Cooperatives build a better world. That's not only something to be proud of — it's just good business."

Following are the top two co-op revenue producers in 2015 for each business sector, and where they stood on the overall list.

■ ***Agriculture:***
- **CHS Inc.**, Saint Paul, Minn., reported $34.5 billion in revenue; it remains in 1st place on the overall list.
- **Dairy Farmers of America**, Kansas City, Mo. $13.8 billion in revenue, 3rd place overall.

■ ***Grocery:***
- **Wakefern Food Corporation/Shoprite**, Keasbey, N.J. $15.5 billion, 2nd overall.
- **Associated Wholesale Grocers Inc.**, Kansas City, Kan. $8.9 billion, 5th overall.

■ ***Hardware & Lumber:***
- **ACE Hardware**, Oak Brook, Ill. $5 billion, 8th overall.
- **Do it Best Corp.**, Fort Wayne, Ind. $2.9 billion, 14th overall.

■ ***Finance:***
- **Navy Federal Credit Union**, Vienna, Va. $4.7 billion, 9th overall.
- **CoBank**, Greenwood Village, Colo., $2.3 billion, 17th overall.

■ ***Healthcare:***
- **HealthPartners Inc.**, South Bloomington, Minn. $5.7 billion, seventh overall.
- **Group Health Cooperative**, Seattle, Wash., $3.6 billion, 12th overall.

■ ***Energy & Communications:***
- **Basin Electric Power Cooperative**, Bismarck, N.D. $2.1 billion, 19th overall.
- **Oglethorpe Power Corp.**, Tucker, Ga., $1.3 billion, 35th overall.

U.S. co-ops provide more than 2 million jobs and create more than $75 billion in annual wages, with revenue of nearly $650 billion, NCB reports.

To view the entire *NCB Co-op 100* report, visit: www.ncb.coop.

lower prices for the commodity energy, grain and fertilizer products that comprise much of the company's business.

"As fiscal 2017 unfolds, CHS will sustain its focus on its financial and operational priorities. This includes always putting safety first and taking mindful steps to maintain balance sheet strength and profitability," Casale adds.

Pre-tax earnings for the CHS Energy segment declined 49 percent, to $275.4 million, due to significantly lower margins for the company's two refineries. Earnings for the company's transportation business also declined. Record performance by CHS' propane business was significantly ahead of fiscal 2015, which included reduced crop drying and winter heating demand. The CHS lubricants business also reported record earnings for a second consecutive year.

The co-op's Ag segment — which includes crop inputs, grain marketing, local retail and processing businesses — saw pre-tax earnings of $30.9 million, down 79 percent from 2015, which included a $116.5-million, one-time impairment charge resulting from its decision to cease planned development of a nitrogen fertilizer plant at Spiritwood, N.D.

The Ag segment's Country Operations (local retail businesses) declined, primarily due to lower grain margins. This was partially offset by higher grain volumes in fiscal 2016 compared with 2015. Lower margins also contributed to a decline in earnings for the CHS wholesale crop nutrients business.

Blue Diamond posts record sales

Despite falling almond prices and a prolonged drought in California, Blue Diamond Growers, the world's largest tree-nut marketer, posted record sales of $1.67 billion for the crop year ending in August, slightly ahead of the previous record of $1.65 billion set the previous year. It was the fifth consecutive year that the co-op's revenue topped $1 billion, the *Sacramento Bee* reported in December.

Almond prices climbed to nearly $5 a pound in August 2015, but slipped to around $2.60 a pound by the start of this year. The *Bee* cited market analysts who have credited the cooperative's product diversification and international marketing efforts as helping to bolster revenue. Marketing efforts included heavy TV advertising during the Summer Olympics in Rio de Janeiro.

Blue Diamond has also announced that it is extending sponsorship of the U.S. Ski and Snowboard Association for four more years. The U.S. almond industry has been bolstered in recent years by nutrition studies that have shown that almonds can play an important role in a healthy diet.

Almonds are now California's No. 1 crop, with only dairy sales exceeding the nut's value to the state's farm economy.

MMPA unveils new logo, website

Michigan Milk Producers Assoc. (MMPA) has introduced a new logo and website for the public as the cooperative brings its centennial year to a close. The logo, which now only includes the co-op's initials, features a modernized look, deeper blue color and the addition of a cow silhouette.

"As we bring our centennial year to a close, we are looking forward to the next century and the opportunity to enhance the MMPA brand," says Joe Diglio, MMPA general manager. "This transition reflects our strong foundation while demonstrating our five core values: quality, integrity, progress, community and leadership."

The logo was unveiled to members at MMPA's annual Leaders' Conference in East Lansing, Mich. That event was also used to launch a new website aimed at public audiences. The new website is "mobile device friendly," with improved design aesthetic and usability.

MMPA is a member-owned and controlled milk-marketing cooperative serving about 2,000 dairy farmers in Michigan, Indiana, Wisconsin and Ohio.

Central Valley Ag pays $8 million in patronage

Central Valley Ag (CVA), York, Neb., offered it members a total payout of $8 million in 2016 patronage, boosting the five-year total to $62.6 paid to its member-owners.

"I am continually proud of CVA's performance and our ability to deliver these payments to our patrons," says Carl Dickinson, the co-op's CEO. "We truly appreciate the business of our member-owners, and this is our way of saying thank you." The success of Central Valley Ag is a result of its member-owners support, board of directors vision, and the employee's dedication to great customer service, he adds.

CVA, which has facilities in Iowa, Kansas and Nebraska, is an innovative leader providing products and services in grain, agronomy, feed and energy. It rose from 44th to 20th place on USDA's 2016 list of the nation's Top 100 ag cooperatives. To learn more about the co-op, visit: www.cvacoop.com.

USDA offers $27 million to support local foods sector

USDA's Agricultural Marketing Service is offering $27 million in grants to fund innovative projects designed to strengthen market opportunities for local and regional food producers and businesses. The funds, provided under the Farmers Market and Local Food Promotion Program (which includes three sub-programs), can help support direct farmer-to-consumer marketing projects, such as farmers markets, community-supported agriculture

(CSA) programs, roadside stands and agri-tourism. Over the past 10 years, the program has awarded more than 870 grants totaling more than $58 million.

Grant applications must be submitted electronically through www.grants.gov by 11:59 p.m. Eastern time March 27, 2017.

Ohio co-ops to merge

Town & Country Co-op, Ashland, Ohio, and Western Reserve Farm Cooperative, Middlefield, Ohio, are merging, effective March 1, to form Centerra Co-op. The co-op says the new name is a combination of the words "center," the point of focus within a circle, and "terra," meaning "of the earth."

"The name reflects our purpose and our ethics" says, Jean Bratton, future CEO of Centerra. "We are collaborating to better things with the customer, the center of this effort. We are well grounded in principles and knowledge, and promote good farm practices that reflect our customers' love of the land."

Member ballots were counted Dec. 1, showing that 85 percent of the Western Reserve members and 84 percent of the Town and Country members supported the merger.

Land O'Lakes honored for $25 million gift to university

The University of Minnesota's College of Food, Agricultural and Natural Resources Sciences (CFANS) hosted representatives from Land O' Lakes Inc. in December to celebrate the naming of the Land O' Lakes Collaboration Center in Borlaug Hall and to spotlight a "high-tech touch" in the Land O' Lakes Active Learning Classroom in the university's Ruttan Hall.

"These two spaces represent just part of a historic, $25-million investment in the University of Minnesota," said Brian Buhr, dean of CFANS. "Land O' Lakes, through its scholarships, is supporting that foundational element of education to raise up society and agriculture's future.

"By understanding history we see the future; these rooms will honor that history and inspire future generations of scholars to end hunger," he continued, referencing past students, including renowned agronomy scientists Norman Borlaug and E.C. Stakman.

Kathy Schmidlkofer, University of Minnesota Foundation president and CEO, underscored the value of the more than 40-year partnership between the dairy cooperative and the university.

MFA Oil offers $11.8 million in cash to members

MFA Oil Company announced that the farmer-owned cooperative will pay $11.8 million in cash to its members in exchange for doing business with the company. The announcement was made at the 87th annual delegate meeting, in Branson, Mo. About 500 delegates, guests and employees of the company were in attendance. MFA Oil reported company-wide earnings for the 2016 fiscal year of $33.6 million.

The patronage distribution represents 80 percent of MFA Oil's member earnings for the 2016 fiscal year and includes a retirement of member equities from 2003.

"Our company has a strong balance sheet, which allows us to return a substantial portion of our earnings in patronage," says Benny Farrell, MFA Oil chairman. "This is the third consecutive year that we've returned 80 percent of the company's member earnings to our qualified farmer-owners in cash." ■

Ready for 2017?

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described how computer system hacks may involve stealing data that can be sold to other hacking groups, as well as directly taking money through scams and ransomware.

Tony Taylor, senior director of infrastructure and security for Land O' Lakes, described the limits to technological solutions. As "phishing" (the use of fraudulent e-mails to gain access to confidential business data and systems) attempts become more sophisticated and targeted, the human element becomes a more critical link in a co-op's risk profile. Policies are needed for I.T. staff and users to follow strong, security-oriented practices, he advised.

Data access and ownership challenges

David Swain, manager of precision agriculture at Southern States Cooperative, Richmond, Va., described the growing complexity of both data ownership and questions about data access and control through service provider agreements.

Members must first understand how valuable their operations data is. Trusted vendors to cooperatives are now competing with them for data services to members. Cooperatives are well-positioned to act as trusted, long-term, accountable advisors to members on the use of their data, in contrast to short-term advisory roles that a vendor might play.

The legal questions surrounding data ownership, privacy and intellectual property rights are complex.

Jamie Nafziger, partner at the law firm of Dorsey and Whitney, used the example of data captured through a drone to illustrate some of the issues. State privacy laws affect what data can be collected by a drone, as do "reasonable" expectations of privacy.

The ownership of drone-captured data is not protected by laws governing trade secrets. There is substantial data exchange between vendors, service providers, agronomists, and growers. It is important that agreements explicitly address who can use the data, and what they can do with it. ■

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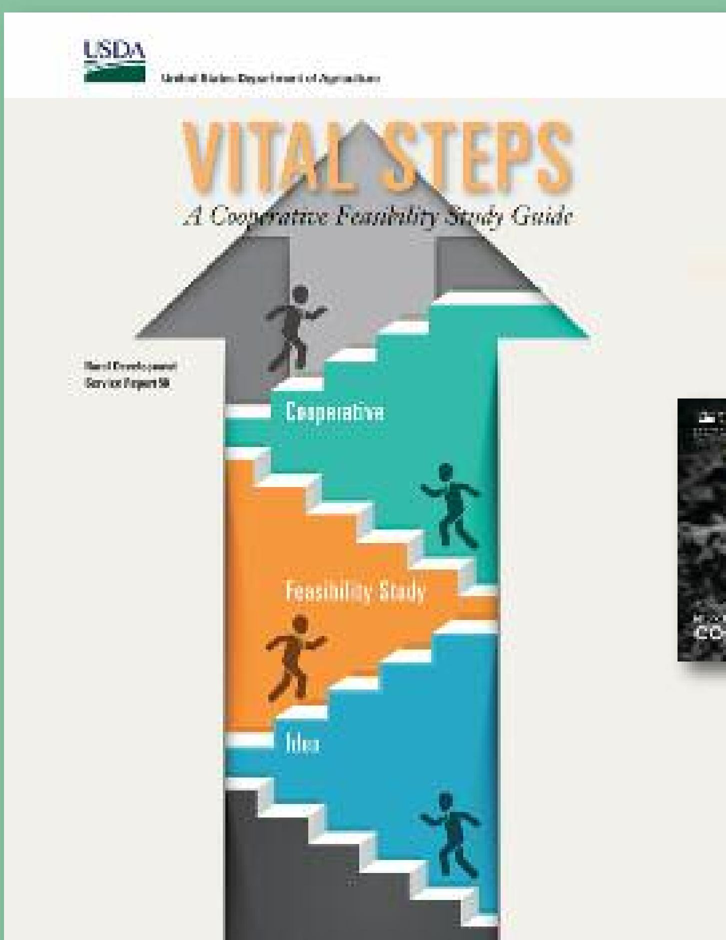
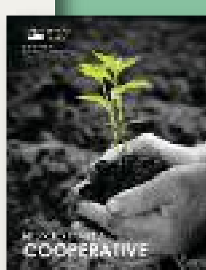


Short cuts in the planning process for launching a co-op can doom the project to failure. USDA's newly revised publication, *Vital Steps: A Cooperative Feasibility Study Guide* (SR 58), provides a step-by-step process to help ensure you get the clearest possible picture of whether to proceed. It should be read together with *How to Start a Cooperative* (CIR 7). Both publications are available, free of charge, from USDA Rural Development.



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