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Rural

COOPERATIVES

September/October 2017



**ARE YOU
PREPARED FOR
THE WORST?**

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United States
Department of
Agriculture

Commentary

Co-ops can play major role in development of rural infrastructure

By Alan Borst, Ag Economist

USDA Rural Business-Cooperative Service

Rural America has suffered from an underinvestment in rural infrastructure. There has been a steady deterioration of the conditions of waterways, roads, bridges and other transportation infrastructure in many rural areas. These poor conditions have had a serious impact on America's economy, safety and ability to interact with the rest of the world. This has reduced farmers and ranchers' ability to move their products to market.

Transportation delays and added costs hurt farmers' and

Broadband and E-Commerce Education Center have summarized the argument for cooperative provision of broadband internet access to rural America: "Broadband access and adoption have emerged as critical issues for rural communities. However, the business case for investing in broadband infrastructure is inherently difficult, given the capital-intensive investment needed to serve sparsely distributed rural populations. One response by rural communities underserved by the market is to use the cooperative business model... Members of the cooperative own and control it.

"This user-member ownership structure allows the cooperative business to operate on a service-at-cost basis to

Cooperatives are an established business model with a long and successful history developing and maintaining infrastructure in rural America.

ranchers' ability to turn a profit and limit the competitiveness of their businesses. The health of the nation's economy depends on adequate investment in developing and maintaining rural transportation infrastructure. Such infrastructure investment would help rural residents secure jobs and provide better routes for goods to get to market.

There are also gaps in rural communication infrastructure. Just as rural electrification was central in promoting economic growth in the early part of the 20th century, provision of broadband internet service to rural residents is presently key to their economic future. High-speed internet has developed into a basic amenity that is enjoyed by most urban and suburban residents in America.

Many rural areas presently lack this amenity, which makes it harder to attract and retain residents and businesses. The continuing increase in farmer and rancher reliance on precision agriculture and its demands for data makes broadband service a crucial part of their economic competitiveness.

Lynn Pittman of the University of Wisconsin (UW) Center for Cooperatives and Mary Kluz of the UW

deliver needed services. It allows the cooperative to take a longer term perspective on strategic investments that can maintain and improve services into the future. In addition, because the cooperative is a provider of needed services in a community, it is embedded in the local economy and can contribute to broader local economic development activity," Pittman and Kluz wrote.

Public spending in general — and on infrastructure in particular — has been politically constrained. Metropolitan areas by definition have a higher density of residents and businesses, and thus potential users of infrastructure. This has made development of metropolitan infrastructure more feasible. One of the traditional policy responses to this chronic underinvestment in rural America has been the organization of rural cooperatives with membership consisting of those residents and businesses that will be using it.

There are examples of cooperatively owned infrastructure all over rural America. Some farmer co-ops own short-line railroads that service their facilities. Others own port terminals through which they ship their products. Some

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CROSSING the Merger Finish Line

*Co-op consolidation takes time, effort
and support from key groups, say these
merger veterans*



By Catherine Merlo

Editor's note: Merlo is a California-based writer/editor with extensive experience writing for, and about, cooperatives.



Nearly 18 months into a merger with a neighboring Iowa cooperative, Milan Kucerak still hits the road once a month to meet with members. But he sleeps a whole lot easier now.

The pieces are falling into place, just as he, board members and staff so carefully planned during the long months before the merger officially took place April 2, 2016.

Kucerak is CEO of Landus Cooperative, formed through the merger of two longtime competitors, Farmers Cooperative Company (FC) and West Central Cooperative. Based



Landus Cooperative trucks roll late into the night hauling in the soybean harvest. The company was formed in 2016 through the merger of two longtime competitors, Farmers Cooperative Co. and West Central Cooperative. Photos courtesy Landus Cooperative

Facing page, lower: "People wondered if our merger would fly," says Milan Kucerak, CEO of Landus Cooperative. Today, the diversified grain and supply co-op offers products and services for 7,000 members in Iowa and Minnesota.

remain strikingly similar to years past. Member-owned organizations are still seeking greater market presence and increased economies of scale. They need more capital to compete and to acquire assets and sophisticated technology to better serve their members. Mergers also can capture synergies between two organizations that create greater opportunities locally and globally.

"The agricultural industry is in a period of major change," says David Thorbahn, CEO of Select Sires, which merged with Accelerated Genetics in July 2017. "New technology, pressure on margins and scale of economies are all part of the push toward consolidation."

But translating the vision of a merger into successful reality takes work. Few understand this better than Kucerak.

How Landus Cooperative did it

Kucerak had been through smaller mergers before, but none the size of one that created Landus Cooperative. Moreover, he knew a handful of co-op mergers in nearby areas had failed around the same time the Landus Cooperative merger was unfolding.

"People wondered if our merger would fly," he remembers.

Kucerak, who had been CEO at West Central for only a few months, believed a merger would streamline overlaps in operations and geographical assets between West Central and FC. He also saw opportunities, such as strengthened rail transportation capability, that could be achieved from the strengths of both producer-owned businesses.

"It made sense for us to talk," he remembers.

So Kucerak, board members from both co-ops and key staff set out to chart a successful course for a merger. The first step was a confidential meeting, arranged by an intermediary, between Kucerak and FC's CEO, Jim Chism, in early 2015. Soon, the two CEOs brought in their chief financial officers and other senior staff. In late spring 2015, board discussions began. All agreed the merger was worthwhile.

"Our goal was not to be bigger but better," Kucerak says. "Rather than compete, we realized we could combine and use our capital for growth and services to our membership."

Working with an outside consultant, leaders of the two co-ops studied merger pros and cons. In August 2015, they announced a letter of intent to merge. Staff helped conduct due diligence. In October, the two boards approved putting the proposed merger before their memberships for a vote.

Employees were kept informed along the way. "We knew that if employees didn't think the merger was good, it wouldn't fly," says Kucerak.

Through November and December 2015, the two co-ops engaged in a campaign to make members aware of merger details and the importance of voting. They called all members to remind them their vote was vital and to answer any questions. Kucerak, the two co-ops' board chairmen and other leaders participated in road shows across member areas to explain the proposed merger. Kucerak even gave out his cell phone number so producers could call him personally.

"We did not consider the merger a slam dunk," Kucerak says. "There was a fair amount of dissension. There were concerns that the merger would mean less competition for producers. People

in Ames, Iowa, the newly unified cooperative is now one of North America's largest grain storage companies. It offers diversified products and services for its 7,000 corn, soybean and livestock producer-members in Iowa and Minnesota.

"This was a merger of equals," says Kucerak. "It's gone surprisingly well."

The Landus Cooperative merger is one of 94 that occurred among U.S. cooperatives between 2013 and 2016, according to USDA agricultural economist James Wadsworth. Add in co-op acquisitions of another co-op, and the consolidation number rises to 104. At least a dozen more co-op mergers have taken place in 2017. It's a high rate of co-op consolidation not seen since the late 1990s and early 2000s, says Chuck Conner, president and CEO of the National Council of Farmer Cooperatives.

The reasons for the co-op mergers

Mary Elvekrog (left), Compeer Financial's senior dairy specialist, walks through a freestall barn with client Robert Baerwolf. Dairy lending is an important part of the bank's portfolio. Photo courtesy Compeer Financial



were worried the new co-op would be too big or wouldn't be able to take care of all members or keep in touch with them."

Board members agreed that the new board would remain relatively large. West Central would keep its nine directors. FC would reduce its 11 board members to nine. In addition, all members of both co-ops would maintain their dollar-for-dollar equity in the proposed merger.

In December 2015, members of both co-ops voted to approve the merger. Members of West Central voted 69 percent, and FC members 71 percent, in favor of the merger.

But the work was hardly over. Through the following months, the process began of integrating the two former co-ops, putting the right people into the right roles and building the new Landus Cooperative name and logo.

In all, it took a year from the first merger talks to the official unification. Changes are still occurring. "Initially, we did not lay off any employees," Kucerak says. "In rural America, we have trouble finding good help. But since then, we've closed a few facilities. In June 2017, more than a year after integration, we had a 5-percent reduction in staff. We've also moved people around to ensure we have the right people in the right roles.

"When you bring two companies together, the biggest challenge is culture," he adds. "We've really focused on that. We've provided training for our employees. We share the co-op's financials with them every month so they understand what's going on."

Today, Landus Cooperative's 18-member board continues open discussions about strategy, capital expenditures and managing the co-op.

"It's been a really good start,"

Kucerak says. "People are now thinking in terms of Landus Cooperative, not the old co-ops. This is not your grandfather's co-op. We strive for global reach and local touch. We are moving forward."

A smooth merger

Another cooperative manager who recently crossed the merger finish line is Rod Hebrink. He is president and CEO of Compeer Financial, which officially launched operations in July 2017 after a year-long merger process involving three Farm Credit Associations: Illinois-based 1st Farm Credit Services, Minnesota's AgStar Financial Services and Wisconsin's Badgerland Financial.

"The merger has gone very smoothly," Hebrink says. "It's worked as it was supposed to work. We haven't closed any offices, there has been relatively little impact to employees,

and it's delivering equal or better service for stockholders."

Based in Sun Prairie, Wis., Compeer Financial counts nearly 45,000 member-owners, 17 board members, 1,200 employees and more than \$19 billion in assets. Its loan portfolio consists of grain, dairy and swine producers, as well as rural homeowners.

Like Kucerak, Hebrink emphasizes that the Compeer Financial merger was one of equals. In fact, the Compeer name comes from an English word meaning equal in rank, ability or accomplishment. And that focus drove the merger.

While there was little opposition to the Compeer Financial merger,

Hebrink says there were the typical concerns: Would it result in less competition for producers? Would the new and larger organization lose that connection to an individual office or community? Would customers feel less important? Would employees lose their positions or jobs?

For starters, none of the three Farm

Select Sires-Accelerated Genetics merger: A closer look

David Thorbahn spent more than a year of his life focused on a cooperative merger.

"A merger is exceptionally stressful and a lot of hard work," he says. "It brings sleepless nights and personal sacrifice and puts tremendous stress on the teams involved. But the benefits for our member-owners are clear."

Thorbahn is CEO of Select Sires, which merged July 1 with another cooperative, Accelerated Genetics.

"By working together, we will be stronger," says Thorbahn.

The merger idea was born in 2016 between board chairmen Dan Andreas of Select Sires and Scott Dahlk of Accelerated Genetics. Although they were competitors in the livestock genetics market, the two co-ops already shared a collaborative business relationship that began in 2001 when the two became joint owners of World Wide Sires, the international marketing arm for both organizations.

Andreas and Dahlk believed an even closer association could bring more robust and broader-based product offerings, greater and more comprehensive services, and a better overall cost structure. United on the benefits, they brought in the management of each co-op.

Six months of due diligence followed. Outside attorneys for both organizations also assisted. They did several feasibility analyses to make sure the resulting merger would be profitable.



"A merger is exceptionally stressful and a lot of hard work," says David Thorbahn, CEO of Select Sires. "But the benefits for our member-owners are clear." Photo courtesy Select Sires

"We had to move quickly to keep things confidential because leaks can open the doors of opportunity for competitors to be divisive," Thorbahn remembers.

Management teams representing key operations of both co-ops pulled together to plan how the newly merged co-op would operate. "That's where the merger work happened," Thorbahn says. "The professionalism shown by those teams allowed us to build execution plans and go forward with a strategy that's worked very well."

At a special delegate meeting on June 22, Accelerated Genetics delegates voted in favor of uniting the two co-ops, formally finalizing the agreement recommended by both boards of directors.

The newly integrated federated co-op, whose production facilities are based in Plain City, Ohio, keeps the Select Sires name. It counts 33,000-plus members. Through the merger, Select Sires manages the Accelerated Genetics' brand and assets, including bull-housing barns, product development labs and equipment, land, buildings and production facilities, many located in Westby, Wis.

The merger wasn't a first for either co-op, both of which had undergone consolidations before. From those, Thorbahn has learned what's most important in a merger.

"Too often, the co-op's strategic investigation is too much about the co-op name or the board or employees," he says. "But it really needs to be about the value a co-op provides to its members."

Credit associations had been competitors, points out Hebrink. Secondly, each association had been a product of previous successful mergers. “We could point to past successes and ask, ‘Why would this be any different?’” he remembers.

Additionally, the Compeer Financial merger had the unanimous support of all three boards, which “sent stockholders a strong and important

message,” says Hebrink. cooperative based in nearby Ipswich. Its 22 locations serve over 2,500 producer-members.

Both boards were unanimous in their support for the merger. But the membership vote failed.

“We fell short by 26 votes,” says Clemensen, SDWG chairman since 2005. “It was real disappointing to me — but, in some ways, not surprising. Our two co-ops had competed head to

the summer of 2017, merger talk had resurfaced among the memberships, spurred by the downturn in the ag economy and an area drought that further hurt profitability. In addition, another cooperative, Ag Processing Inc., is building a new soybean processing plant in Aberdeen.

“That will change the margin structure for SDWG and NCFE,” says Clemensen, who grows corn and

“We didn’t do a good enough job in getting employees’ fears taken care of.”

message,” says Hebrink.

Compeer Financial had to adhere to strict Farm Credit System conditions to merge. But Hebrink believes something else is essential for a successful merger. “Transparency with stockholders and employees is critical,” he says.

When a merger vote fails

But good intentions, board support and careful planning don’t always result in a member-approved merger. Among those who have seen a proposed merger fail is Hal Clemensen, chairman of the board of South Dakota Wheat Growers Association (SDWG). In 2015, the 5,200-member grain-handling and agronomy services co-op sought a merger with neighboring North Central Farmers Elevator (NCFE).

For more than a year, both boards and management teams worked to craft the blueprint for a merger that would streamline duplications of products and services, increase efficiencies and make better use of their combined capital and assets. They even developed a name for the new organization, CentraGro.

The two co-ops have operated across the Dakotas since the 1920s. Both are sizeable businesses. SDWG annually markets 180 million bushels of grain, generates \$1.4 billion in sales and operates 40 locations, with headquarters in Aberdeen. NCFE is a full-service

head for 90 years. A lot of emotions came into play.”

At SDWG, 61 percent of the votes cast approved the merger. At NCFE, however, 51 percent of the members voted against it. Clemensen cites two reasons for the voting outcome.

“A lot of people just assumed the merger would pass, and they didn’t take the time to vote,” Clemensen remembers. “They thought they would let their neighbor make that decision.”

The other reason, he says, is that some employees were against the merger. “When an employee shrugs and shakes his head when members ask about the merger, that’s not good,” he adds. “We didn’t do a good enough job in getting employees’ fears taken care of.”

The vote’s failure struck Clemensen hard. “This is the members’ co-op,” he says. “As a board, we’ve tried to make decisions for them and keep them informed. But there’s a real lack of ownership these days. Our grandfathers fought to get co-ops formed. Now the attitude is, ‘Whatever happens, happens.’”

He recalls how the merger process got “personal and nasty, and friendships were lost.”

After the vote, leaders of the two co-ops vowed not to revisit the merger idea unless members requested it. By

soybeans on 3,200 acres. “We’re for that as producers, but it means our co-ops will have to get more efficient.”

In July of this year, the two boards voted to revisit the merger idea. After two weeks of seeking member feedback, the boards voted Aug. 14 to proceed to a membership vote to unify the two co-ops. Following a series of informational meetings, ballots were mailed to all members in late August. Results will be known by late September. If the members approve it, the unification is expected to become effective Feb. 1, 2018. It would create the largest agricultural co-op in South Dakota.

This time around, member communication is a priority. “Maybe we came out too fast before,” Clemensen says. “This time we’ll do a better job of listening and explaining to members and employees.”

Ultimately, there are lessons to be learned from both successful and failed mergers, experiences that are likely to be closely watched as the consolidation trend continues among cooperatives.

“As two co-ops, we’ve cut expenses as much as we can,” Clemensen says. “As one co-op, we could be so much more efficient. But the ultimate decision must be made by the members, not the board or management, to determine the fate of the company.” ■

Before, during and after: Advice on a co-op merger

- **Look for a merger partner whose business type, market approach or culture is similar to your co-op's.** This increases the chance of a successful merger.
- **Don't promise what you can't deliver.** If you don't know or haven't decided about key operations, assets or personnel, be honest in telling members, employees or customers, recommends David Holm of the Iowa Institute for Cooperatives. He has advised on nearly 50 co-op mergers since 1994.
- **Continually reinforce the need for change.** "Don't underestimate the ability of your good members to understand and adapt to change," Holm says.
- **Be aware of board egos.** "One of the thorniest issues is getting the boards of both co-ops to create an environment for open, frank discussions about the strengths and weaknesses of both organizations," says agricultural economist Allen W. Gray of Purdue University. "That's a big challenge because board members often come in with ego and want their own co-op to be the winner. A merger has got to be for the benefit of the members. You can't make it a competition."
- **Expect surprises.** Due diligence may reveal that an asset is in poorer condition than you thought. Two co-ops are likely to have different Information Technology systems and software.
- **Determine who the new CEO will be even before the**

merger vote. There will be two CEOs when talks begin and one when the merger is done. Who that will be should be clear as soon as possible. Also, know what the transition path will be for the CEO who won't be heading the new co-op.

- **Encourage every member to vote on the merger.** Remind them their voice — and every vote — counts.
- **Have open, frank and frequent communications with employees.** "Merger changes can be disturbing to employees," Gray says. "The new organization needs a hyper-focus on maintaining talent and helping the new culture take hold."
- **Make changes quickly.** "If new branding or a name change is needed, or assets or store locations must be shut down, do it right away," says Gray. "Don't let there be a slow, painful death. Focus on the future."
If you must cut staff, do that immediately too, adds Holm. It's unfair to let employees hang in limbo. "They usually suspect the worst if you don't tell them, and some will contaminate the attitude of other employees," he says. "Cut deep and then rehire if necessary. Don't be afraid to make a clean break with some employees, including 'sacred cows' from the old companies."
- **Don't underestimate the importance of culture.** "Culture can't be seen on a balance sheet, but it's a huge part of a merger's success," says Holm.



South Dakota Wheat Growers (SDWG) Board President Hal Clemensen presents information during a meeting attended by members of Wheat Growers and North Central Farmers Elevator in August to discuss the benefits of potential unification. An initial attempt at merger failed to gain the needed votes, but a second attempt is underway. Photo courtesy SDWG

“Cooperatives Commit” *theme for Co-op Month ‘17*

CO-OP MONTH

“Cooperatives Commit” is the theme for National Cooperative Month in October, which cooperatives are urged to include in their communications and outreach activities. The theme can be used on its own, or extended with sub-themes, such as: Cooperatives Commit to Members; Cooperatives Commit to Communities; Cooperatives Commit to Jobs; Cooperatives Commit to Powering Rural America; or Cooperatives Commit to Agriculture.

“Cooperatives commit in countless ways to meet the needs of their members and communities, so this theme can be customized to best reflect the mission and services provided by your co-op,” says Sara Schoenborn, co-chair of the National Co-op Month Planning Committee and director of communications for Cooperative Network. “We hope every co-op will plan some type of communications effort in October to help spread the word about why cooperatives are so important to your community, region and to the nation.”

With support from participating cooperatives and funding from the CHS Foundation, the committee created an online Co-op Month toolkit with a variety of promotional and educational materials. The materials are available at: www.CoopMonth.coop. The toolkit includes the new Co-op Month logo, posters, print and radio public service announcements, a sample press

release, social media resources, co-op success stories, talking points and activity ideas, among others.

“Polls show that Americans like the idea of doing business with a cooperative, but many people still don’t understand what co-ops are,” says Sarah Crozier, communication manager at the National Cooperative Business Association CLUSA International and Co-op Month Committee co-chair. “That’s why we observe

Co-op Month every October, with the goal of shining the spotlight on the many benefits of the producer-, worker- and user-owned business model, and letting people know that cooperatives are all around them.”

The same communications efforts that help educate the public can also serve as reminders for co-op members and employees about “the co-op difference.”

Activities can be as simple as hanging posters, making classroom visits or hosting a field trip, holding an open house or tour of your co-op, issuing a press release to your local and/or statewide media, or holding a charity fundraising event.

The Co-op Month Planning committee was formed through the efforts of the Cooperative Communicators Assoc. (CCA), NCBA CLUSA, Cooperative Network, National Rural Electric Cooperative Association, National Cooperative Bank, USDA Rural Development, Cooperatives for a Better World, National Cooperative Grocers and communicators from a number of diverse cooperative businesses. ■



Co-op conference & festival coming to DC area

The Co-op Impact Conference, Oct. 2-4 in Alexandria, Va., has been designed as a premier networking and learning event for co-op members, practitioners and advocates, as well as an opportunity to advance the shared interests of the cooperative movement. It will bring together a broad spectrum of cooperative sectors to build on and amplify the economic impact co-ops have in the United States and internationally.

The event, being conducted by NCBA CLUSA at the Hilton-Old Town Hotel, replaces the sector-specific conferences it has

traditionally hosted. At its core, this conference will examine how co-ops can answer some of society's most important questions around ownership and opportunity.

NCBA is also hosting the inaugural Co-op Festival Sept. 30–Oct. 1 on the National

Mall in Washington, D.C., as a public awareness event to help launch Cooperative Month in October. It will feature live music, speakers, games and an interactive booth. For more information about both events, visit: www.ncba.coop.

CO-OPS
COMMIT
Co-op Month 2017



Key Co-op Month messages

Here are some key messages to relate in interviews and press releases that have been found to resonate with the media and the public. They help achieve the goals of Co-op Month, which are to raise public awareness of cooperatives and celebrate their accomplishments.

■ There are more than 40,000 cooperative businesses in the United States with 350 million members (many people belong to more than one co-op). These cooperatives generate \$514 billion in revenue and more than \$25 billion in wages, according to a study conducted by the University of Wisconsin Center for Cooperatives, with support from USDA Rural Development (<http://reic.uwcc.wisc.edu/default.htm>).



A wide variety of graphics that can be used for print, internet and social media (examples above and on the facing page), as well as sample press releases and Co-op Month proclamations, event ideas, etc., can be downloaded at: www.coopmonth.coop.

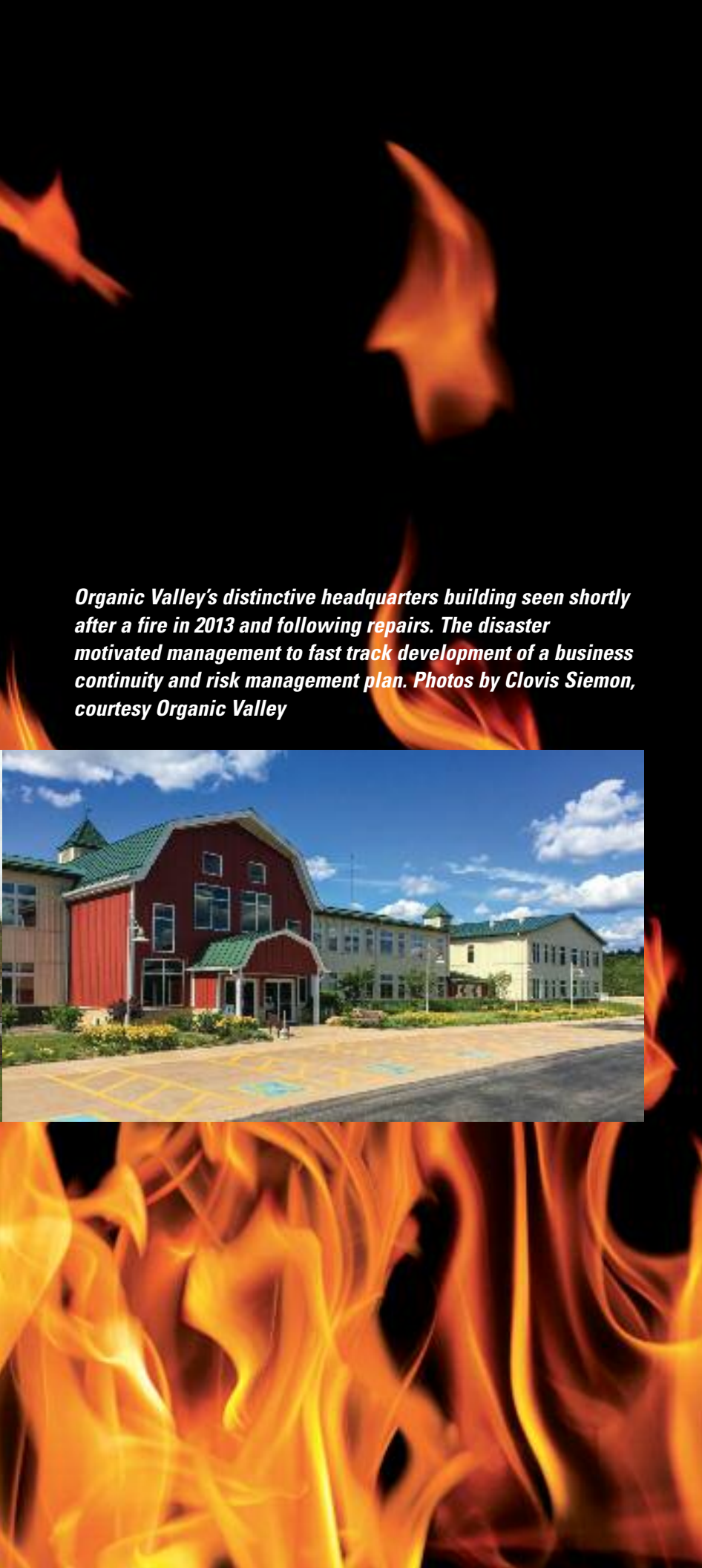
- Cooperatives represent a strong business model and greatly contribute to both the national and local economies.
- Studies show that consumers want to do business with companies that share their values, making today's environment ideal for cooperatives and their commitment to the communities in which their members live and work.
- Co-ops don't have to answer to outside shareholders; they care about meeting their members' needs.
- Co-ops represent democracy in action, with control exercised by a board of directors elected from the ranks of members; the board hires and directs management and is ultimately responsible to the members;
- Cooperatives generate jobs in their communities, keep profits local and pay local taxes to help support community services. Cooperatives often take part in community improvement programs, ensuring that everyone has an opportunity to benefit from the cooperative experience.

To better "bring home" these messages, gather additional data about the role and power of co-ops in your state, region or community.

More than a Fire Drill

*Planning for the
worst may be the best
thing a co-op can do*





Organic Valley's distinctive headquarters building seen shortly after a fire in 2013 and following repairs. The disaster motivated management to fast track development of a business continuity and risk management plan. Photos by Clovis Siemon, courtesy Organic Valley



By Donna Abernathy

Editor's note: Abernathy is a Tennessee-based freelance journalist and communications consultant with decades of experience working for, and with, cooperatives.



It's like getting punched in the gut."

Though it's been more than four years since it happened, Mark Pfeiffer can't forget how it felt to look at the pile of burned rubble that had been Organic Valley Cooperative's headquarters.

"Watching the life's work of our founding farmers burn" elicited powerful emotions, says Pfeiffer, who was facilities manager for the La Farge, Wis.-based organic cooperative when the intense fire destroyed two-thirds of the main office and displaced nearly 250 employees in May 2013

Thanks to a well-rehearsed evacuation plan, all employees and visitors safely exited Organic Valley's building that day. But, as Pfeiffer and his co-workers would soon realize, effectively handling a crisis requires far more than fire drills.

"You just never think it's going to happen to you," says Pfeiffer, admitting that the cooperative was not adequately prepared to handle the crisis. "Sometimes hubris can be your worst enemy."

Disasters happen, and cooperatives are not immune, says veteran cooperative communications consultant Lani Jordan. More than a quarter of all U.S. small businesses experience a significant crisis in any given year, she says, citing a 2014 Risk Advisory Services survey conducted by KPMG, an international accounting and business services firm.

Crises come in all sizes and descriptions. Though a fire or natural disaster is most often the first thing that comes to mind, a crisis is any out-of-the-ordinary event that has the potential of damaging your organization, says Jordan.

"It's not *if* a crisis will occur at your

cooperative, but rather *when* it will occur and how you will respond when it does,” she says.

Whether as a result of a gut-wrenching experience or following a “be prepared” philosophy, many cooperative leaders and managers agree with Jordan. They’re placing a higher priority on crisis preparedness. In the event of an emergency, they aim to be ready — and they’re advising other member-owned businesses to do the same.

Rethinking priorities

As he watched his workplace burn, Pfeiffer couldn’t help but think about the notes in a folder still on his desk. Organic Valley’s board had asked the executive team to begin developing a business continuity and risk-management plan only six months earlier, and Pfeiffer had just begun the research.

In early 2013, Organic Valley employees had been in no particular hurry to put a plan in place. Indeed, they expected to spend five years developing a plan while tending to other, higher-priority tasks for the fast-growing cooperative.

Then the fire erupted.

“It was an eye-opening experience,” says Pfeiffer, whose work priorities were quickly reordered as the business resiliency project was fast-tracked. Organic Valley employees began developing a comprehensive plan while the cooperative’s headquarters was being rebuilt.

“As a food business, it was a given that we had a plan for issues like [product] recalls,” Pfeiffer says. “But the fire forced us to look through our business and become aware of all our potential risks and to identify how to mitigate them.”

In only two years, an aggressive strategic plan for risk management was completed and implemented. The plan identifies the top three risks for every department in the cooperative and the processes for addressing potential crisis

situations. It also included adding a fulltime business resiliency manager to the management team.

The emergency plan “was the one good thing that came out of the fire,” says Pfeiffer, who is now the director of employee services for the 2,000-member cooperative that employs more than 900 people. “Our board and executive team have 100-percent confidence in our risk awareness and preparedness now.”

The new plan was put to the test when Organic Valley employees found themselves in the midst of another crisis

work together to handle the situation,” says Pfeiffer.

Crisis planning ‘not an option’

Sheryl Meshke is aware that some cooperative leaders question whether resources should be allocated to develop a crisis plan. She’s heard the grumbling of those who regard the plan as “an expensive dust collector.” The co-president and CEO of Associated Milk Producers Inc. (AMPI), New Ulm, Minn., has a different viewpoint.

“It’s really not an option; it’s our responsibility,” Meshke says about why



Dixie Electric Membership Corporation’s crisis plan was put to the test when the Louisiana co-op’s service territory received 30 inches of rain in three days, resulting in catastrophic flooding in August 2016. Photo by Billy Gibson, courtesy Association of Louisiana Electric Cooperatives

in July. Severe flooding in the Midwest threatened one of the cooperative’s facilities, forcing an emergency evacuation of personnel, equipment and inventory. Pfeiffer and his co-workers were ready.

“This time we were organized. We had a plan, everybody had a responsibility, and we were able to

she and Donn DeVelder, AMPI’s other co-president and CEO, are committed to maintaining a well-crafted crisis plan. “We have too much at stake, and so do our partners.”

You can never be too prepared for a crisis, Meshke has learned during her nearly 30-year career at AMPI. Having a workable, updated crisis plan is as much a part of risk management as is investing in good insurance or conducting safety training for employees, she reasons.

“Being prepared illustrates immense respect for your partners in the business — employees, owners, the community,” Meshke says.

Co-ops aiding hurricane victims

Hurricanes Harvey and Irma have caused historic levels of damage in southeast Texas, Florida, other states and U.S. territories, and across a large swathe of the Caribbean. When this magazine was heading to press in early September, estimates of damage and death tolls were climbing daily. It will not be a matter of weeks or even months, but rather of years for all the damage to be repaired.

As always in such disasters, the nation's cooperatives have been deeply involved in the relief efforts, including help from many electric cooperatives that have sent staff and equipment to help restore power to hard-hit areas. USDA has also been directing staff and resources to offer aid (visit www.usda.gov to learn more about these efforts).

CoBank has announced that it is committing more than \$350,000 to support efforts for hurricane recovery. Its contributions are being made in partnership with its customers, employees and other Farm Credit institutions that will support a number of organizations involved in the humanitarian response to the hurricanes. These include the American Red Cross, Texas Farm Bureau Foundation, Texas Electric Cooperatives Harvey Disaster Relief Fund and the Farm Credit System Employee Relief Fund.

"It is difficult to grasp the full scope of damage caused by these two devastating hurricanes," Tom Halverson, CoBank president and CEO, said in announcing the effort. "The impact of these disasters will be felt for a long time, but CoBank is committed to supporting our customers, our colleagues and our Farm Credit partners as they begin the process of recovery."

The Cooperative Development Foundation (CDF) is raising funds to assist cooperative businesses damaged by the hurricanes, including damaged buildings, lost business and wages, and loss of inventory.

"CDF has a long history of providing needed and timely assistance to cooperatives impacted by natural disasters," says Rich Laroche, board chair of CDF. "Helping cooperatives recover from damage inflicted by Hurricane Harvey demonstrates the 6th and 7th Cooperative Principles — cooperation among cooperatives and concern for community." For more information about CDF's Disaster Recovery fund, visit: cdf.coop/hurricane-harvey.

CDF has also partnered with the National Rural Electric Cooperative Association (NRECA) to raise funds specifically for rural electric cooperatives and workers impacted by Hurricane Harvey. For more information on that fund, visit: cdf.coop/nreca.

AMPI employs 1,250 people who work at 10 Upper Midwest dairy manufacturing plants and the corporate office. The cooperative routinely tests its crisis management plan to ensure all employees know their role in an emergency situation.

Having a workable crisis plan is important for employee morale, adds Sarah Schmidt, AMPI's communications director. "Just knowing there's a plan in place that you can execute is so helpful," she says. "Assurance is what preparedness provides for everyone involved in a crisis situation."

The time and resources AMPI invests in crisis planning have been worth it, both Meshke and Schmidt say. The plan has been used for a variety of

crisis situations, including when fires shut down AMPI plants during the peak dairy product sales season in 2004 and again in 2014. On each occasion, AMPI employees — from plant workers to the communications team — demonstrated their readiness in the face of disaster. Their quick, professional response garnered the appreciation of members as well as the respect of customers, emergency responders, industry peers, the media and others.

Stay in touch

David Latona, manager of member and public relations for Dixie Electric Membership Corporation (DEMCO), knows firsthand the importance of both internal and external communications during times of crisis. The cooperative

serves more than 100,000 members in seven parishes in southern Louisiana, so he's no stranger to storms and the havoc they can wreak on an electrical-distribution system and the lives of those who depend on it.

Though it may seem counter-productive, conducting frequent meetings with co-workers is essential to successfully executing a crisis plan, Latona emphasizes.

"Set aside time before [when possible], during and after an emergency to digest what is going to happen, what is happening and what just happened," he says. "We found that a time set aside for our group to discuss what we are each doing gives us an opportunity to understand the big picture, and each member can feel

Co-ops of all sizes need a crisis plan

Spending years in the cooperative communications trenches has taught Lani Jordan this important lesson: “You can’t ignore the need for a crisis plan.”

Before opening her own communications business, Jordan spent three decades as the corporate communications director for CHS Inc., the nation’s largest cooperative. Her responsibilities included leading crisis response for the \$45-billion business as well as for many of its 1,100 farmer-owned member cooperatives.

Whether it’s the nation’s biggest cooperative or the smallest, all co-ops need to be prepared to address a crisis event, she says. Jordan believes concerns about the potential cost of developing a crisis plan may deter some cooperatives from developing one.

“You can’t afford not to have at least a basic plan,” the respected crisis advisor says. Jordan describes a basic plan as one that outlines the processes a cooperative will use in a crisis situation and identifies the employees responsible for executing them. It also includes a provision for regular practice.

“At least annually, you need to walk through a hypothetical crisis scenario to make sure everything in your plan still works. Find the holes in it and revise,” she says, adding that a crisis plan must address both physical concerns — employee safety and the protection of assets — and how you will communicate with stakeholders.

“A good crisis plan absolutely must include a solid communications plan,” agrees Sheryl Meshke, co-CEO of the AMPI dairy co-op. The AMPI plan puts a high priority on communications. Meshke views communications as vital for protecting the cooperative’s reputation during a crisis.

Even if your cooperative is physically managing a crisis well, failing to communicate what you are doing with members, employees and other stakeholders is risky business, Jordan cautions. “You’ve left a big hole [in managing your crisis], and created the potential for making things worse.”

confident they have the support of the team.”

Latona and the DEMCO team activated their crisis plan when the co-op’s service area was hit with the worst flood ever recorded there. Over 30 inches of rain — nearly 7 million gallons of water — fell during a three-day period in August 2016.

A reported 160,000 structures in the co-op’s service territory were damaged by floodwaters. Among them was a DEMCO district office. To make matters worse, 50 employees, about one-quarter of the co-op’s workforce, were among the thousands forced from their homes by high water.

Latona’s external crisis communications plan called for primarily using social media to keep members informed during the emergency. At least once an hour, he shared power restoration information with the 10,000 members who follow the co-op on Facebook. Members were encouraged to use the platform’s direct

messaging option as a means to ask questions or express concerns.

Once an hour, the communicator also made it a priority to personally answer emails and social media messages. It was time well spent, Latona says.

“We don’t have empirical data, but the anecdotal [evidence] is almost overwhelmingly positive,” he says, explaining how direct communication helped to protect DEMCO’s good reputation among members. “It was certainly worth our time to respond to those that reached out to us. We even replied to members who were messaging us to say ‘good job.’”

An added benefit of Latona’s efforts was fewer calls to the DEMCO office. “We love personal contact, but our call center can better serve members when they are not flooded with calls.”

Minding the gaps in Tornado Alley

A near miss prompted management

at Cullman Electric Cooperative to take a closer look at its emergency response plan, revealing gaps in the co-op’s ability to protect employees and information in the South’s infamous Tornado Alley.

Four tornadoes hit the co-op’s service area on April 27, 2011, wrecking its electricity transmission and distribution system. The most powerful twister, rated an EF4, passed within two miles of the headquarters in Cullman, Ala.

In the storm’s aftermath, the co-op’s management team evaluated its response to the natural disaster. The team also pondered what would have happened if the tornado had hit the main office. There was no doubt that the co-op’s information technology infrastructure was vulnerable.

“We realized that our IT [information technology] infrastructure would likely have been destroyed,” says Brian Lacy, the co-op’s manager of communications and external affairs.

“We would have been dead in the

water if our computer infrastructure had been destroyed,” adds Cullman CEO Grady Smith.

The introspection also revealed that the office’s only “safe space” was the vault. The space was insufficient to accommodate all employees or visitors who might be inside the building during an emergency.

In response to both concerns, the cooperative invested in constructing an above-ground, reinforced concrete bunker. It houses the co-op’s information technology infrastructure and provides an adequate-sized storm shelter. The structure can withstand a direct hit from an EF5 tornado.

‘Road test’ the plan

Tornadoes, cyber terrorism, ice storms and a host of other potential disasters are often on Jay Gill’s mind. Each year, he spends time plotting how to use such disasters to give the employees of Carroll EMC a hard time — at least for a few hours.

Gill, vice president of communications for the Carrollton, Ga., electric co-op, creates havoc — of the mock kind — to help his co-workers prepare for crisis situations. Whether a cooperative distributes electricity, sells farm supplies, markets grain, or processes milk, there are benefits to “road testing” a crisis plan, he believes. Carroll EMC’s annual Disaster Day allows employees to do just that.

The day provides an immersive, hands-on experience that exceeds the industry’s minimum emergency preparedness requirements. The cooperative’s management supports the exercise, believing it helps ensure exceptional employee performance in crisis situations.

The electric cooperative closes its offices for an entire day each May so that most of its 140 employees can participate in the emergency response

drill. The date of the exercise is announced at the beginning of the year and all employees are expected to be in attendance.

“It’s important to incorporate all employees in the day ... because everyone plays a role during a disaster,” says Tim Martin, CEO of Carroll EMC.

During the drill, employees put their normal jobs on hold and instead focus on their assigned crisis roles. Accountants set aside number crunching to make plans for feeding and housing mutual aid crews.



Leaders of Cullman Electric Cooperative (CEC) began rethinking their emergency readiness after a near miss by this deadly, EF-4 tornado in April 2011. Photo by Brian Lacy, courtesy CEC

Engineers become “bird dogs” who guide crews to areas requiring repairs.

During its 2017 drill, Carroll EMC incorporated several team-building activities to further enhance employees’ crisis response capabilities. “You have an opportunity to get to know

employees that you wouldn’t normally interact with on a day-to-day basis,” says Kelly Hester, the co-op’s communications and corporate events coordinator.

The training also focused on employee wellness, teaching strategies for mental and physical endurance during a crisis period. This is a frequently overlooked element of crisis preparation, Hester says.

“When you’re in the midst of a crisis, managing your stress is vital to staying calm and focused on the tasks at hand,” she notes.

Managing crises may never be completely stress free, but Organic Valley’s Pfeiffer is confident that his cooperative is now well prepared to handle a disaster. Looking back, he realizes there was a lot of luck involved in recovering from the headquarters fire quickly.

“We were 10 feet from this going a whole other way,” he says, explaining that the co-op’s data system — the nerve center of its operation — was in a small section of the building that received only smoke and water damage. Saving that section allowed the cooperative to reestablish communications with customers and never miss a product shipment.

Pfeiffer is no longer relying on luck for business survival. While it was once just another item on a long “to-do” list, crisis planning is now something he’s passionate about. He has this message for those who are procrastinating over the development of a plan to protect their cooperative business.

“Don’t ever think that some risk will not impact you. If you’re not planning for those risks, then you’re accepting them. If you accept them, then you are opening up your cooperative to a disaster that could end your business.” Is that a risk you’re willing to take? ■

UNITED STATES DEPARTMENT OF AGRICULTURE

Office of the Secretary
Washington, D.C. 20250



NATIONAL COOPERATIVE MONTH
October 2017

By the Secretary of Agriculture of the United States of America

A PROCLAMATION

WHEREAS the United States Department of Agriculture has designated “Cooperatives Commit to Members and Their Communities” as its theme for National Cooperative Month 2017, recognizing cooperatives’ important role in building stronger communities; and

WHEREAS approximately 29,000 U.S. cooperatives, including agricultural, utility, financial services, food/grocery, housing, and retail co-ops, boast about 350 million memberships and generate more than \$650 billion in annual revenue; and

WHEREAS cooperatives, as major U.S. employers, account for more than 2 million jobs, and agricultural cooperatives alone account for more than 187,000 jobs; and

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

NOW, THEREFORE, in recognition of the vital role that cooperatives play in improving economic opportunity and the quality of life in rural America, I, Sonny Perdue, Secretary of the United States Department of Agriculture, do hereby proclaim October 2017 as National Cooperative Month. I encourage all Americans to learn more about cooperatives and to celebrate cooperatives’ accomplishments with appropriate ceremonies and activities.

IN WITNESS WHEREOF, I have hereunto set my hand this 14th day of September 2017, the two-hundred forty-second year of the Independence of the United States of America.

SONNY PERDUE
Secretary

Why We Celebrate Co-op Month

CO-OP MONTH

‘Co-ops Commit’ is the theme for National Cooperative Month 2017, a theme which co-ops are encouraged to add to or adapt in a way that will best reflect what their co-op sees as its core mission, or at least one aspect of that mission.

For USDA’s Cooperative Month proclamation (see page 18), Agriculture Secretary Sonny Perdue has extended the theme to “Co-ops Commit to Members and Their Communities,” reflecting the way co-ops not only make life better for their members, but for all the other people in a co-op’s sphere of influence. That could extend from keeping more dollars close to home that are generated by the sale and processing of crops or livestock, to the way co-op-generated tax dollars help to support local schools, fire departments and other civic services.

The following series of articles were submitted by some of the nation’s network of cooperative development centers, which USDA helps to support through its Rural Cooperative Development Grant program. The co-ops featured could adapt this year’s theme in many other ways, such as: Co-ops Commit to Renewable Energy; Co-ops Commit to Helping Farmers; Co-ops Commit to Democracy and Dynamic Governance; Co-ops Commit to Worker-owned Businesses; Co-ops Commit to Better

Home Care for Elderly and Disabled People”; even “Co-ops Commit to T-Rex Preservation.” And if that last one doesn’t bring home the flexibility of both the co-op business model and the types of work co-ops can do, nothing will!



Above is a sample of the Co-op Month graphics available at: www.coopmonth.coop.

Using Their Skill

Montana worker co-op gains international exposure after building T. Rex 'Rotisserie Rack'



By Guy Gregory

Editor's note: Gregory is communications specialist with the Montana Cooperative Development Center in Great Falls, Mont.

CO-OP MONTH For worker-owners of the Crucible Cooperative in Bozeman, Mont., it was not only a historic project, but one that was downright prehistoric. The co-op landed the unique job when the Burke Museum in Seattle, Wash., accepted its custom design for a special rack to hold the museum's recently excavated *Tyrannosaurus rex* skull.

The co-op members normally spend their days designing and building custom furniture, not dinosaur "suitcases." But the considerable skills of Crucible members proved to be highly adaptable, to say the least.



What co-op members didn't know when they took on the job was that live coverage of museum scientists and volunteers chipping rock away from the massive, fully-intact fossil — which, coincidentally, had been unearthed in Montana — would expose their unique product to an international audience of museum curators and paleontologists.

Steel rack for 3,000-pound fossil

Crucible craftsmen and welders took

Crucible Co-op members designed and built this device to enable scientists to more easily maneuver a 3,000-pound Tyrannosaurus rex skull. Photo courtesy Burke Museum. Skull photo courtesy Smithsonian Institution

several months to design and manufacture the all-steel rack, which they personally delivered to the Seattle museum last summer after a 673-mile journey. Known as the "T. Rex Rotisserie Rack (TR3)," the device consists of a wheeled frame made of two-inch-thick tube steel.

"Now that the fossil is inside of this machine, it can freely rotate and museum staff can work on different sections," according to Crucible Board President Tyson Holland.

The fossil weighs nearly 3,000 pounds and can only be moved with heavy equipment. Holland explains how the rack was engineered to drastically

reduce the time it takes for curators to prepare the fossil. “Instead of being a day-long process to rotate a fossil, two staff members can literally rotate it in 20-30 seconds.”

The TR3 is only one of several projects Crucible has tackled in 2017, soon after it became the first worker cooperative to officially incorporate under Montana’s cooperative association statute. The members came together as a team of craftsmen before officially incorporating as a worker co-op.

All of the members share a passion for designing custom pieces of furniture with a rustic look, incorporating many materials found in Montana.

Like Holland and other members, Crucible Board Vice President Philip Munson had worked for other companies and aspired to start his own business. “I’ve had lots of experience with other businesses, but I knew I wasn’t financially able to start my own,” Munson says.

So, two years ago, Holland and three of Crucible’s current members began to discuss forming their own worker co-op to showcase their talent as wood and steel craftsmen. Discussion led to action when they contacted the Montana Cooperative Development Center (MCDC), where staff provided technical assistance on how to legally form a for-profit worker cooperative in Montana.

Opportunity to “stake a claim”

The co-op has enabled Crucible’s worker-owners to pool their talents to create unique, original pieces of furniture for each customer. Holland says that not only do Crucible’s members enjoy working with one another on each custom-made product, but they also all have an opportunity for input on each project — all while investing in their own business.

“When you work for someone else, you are devoting your time and energy to growing something in which you

have no real ownership,” says Munson. Holland adds that the worker co-op model gives every member “an opportunity to stake a claim” in business ownership and its management.

Crucible accepts orders for custom furniture from people who typically have seen photos of the co-op’s work and are looking for pieces that are both functional and expressive of their individual style.

The co-op is seeking to add some new worker-owners, each of whom will be evaluated on whether he or she would be a good fit in the business. Holland says character and trustworthiness are very important factors in selecting future members. Crucible is looking for “passionate people who want to make a difference and will help grow the co-op.”

For more about Crucible, visit: www.crucible.coop.

The Next Chapter

Maine solar business pursues conversion to worker-owned co-op to sustain business, create more jobs

By Rob Brown

Editor’s note: Brown is director of Business Ownership Solutions, a program of the Cooperative Development Institute in Northport, Maine.

CO-OP MONTH Much has been made of the oncoming wave of baby boomer retirements — dubbed the “Silver Tsunami” — and the opportunity for retiring business owners to convert to employee ownership as a business succession strategy. Particularly in rural areas, where the population is much older than average, selling any small business is often difficult. For the smallest and most rural businesses, the default retirement plan is frequently liquidation and closure.

However, conversion to a worker cooperative is also an appealing option for many younger business owners, albeit for different reasons.

Such was the case for Vaughan Woodruff, an eighth-generation Maine resident who was raised with a strong commitment to his community. His mother, the first woman mayor of his hometown of Pittsfield, was a huge influence on him, as was his grandfather, a widely known large animal veterinarian.

Like many of his peers, he left town following high school graduation to seek opportunity. In 2008, while living in Bozeman, Mont., Woodruff started a small contracting firm that specialized in solar energy and energy efficiency. When he and his wife decided that a return to Pittsfield provided the best opportunity for their growing family, Woodruff relocated his business there. His expectations for the business were modest.

“Our move was about our family. We saw any success the business might have as a luxury,” Woodruff explains. “My engineering degree and teaching credentials provided fallback options in Pittsfield. I hoped to be able to make a living

working in the solar industry, but I also recognized there might be some significant challenges with running a solar business in central Maine.”

Early success for business

Within a year, the company was able to sustain Woodruff and his family, but his hometown was facing significant challenges. A manufacturing facility was closed due to outsourcing, leaving the town with three empty mills. The local nursing home was shuttered, and the town’s once-vibrant Main Street was now home to many empty storefronts and deteriorating buildings.

Recognizing the significant shift taking place in the country’s energy sector and the role that his business could play in it, Woodruff rebranded his company as Insource

workers who were eager to take younger colleagues under their wing.

“Insource Renewables has provided a unique opportunity in the area for a number of young people,” says Rick Parkhurst, a retired millworker who is now working with the company. “They have really come together as a team and are seizing that opportunity. Otherwise, they probably would’ve left town, like a lot of other kids do.”

Sole proprietorship becomes unsustainable

As the company grew, Woodruff recognized that his own workload, as a sole proprietor, was becoming unsustainable. He needed a solution that would balance his commitment to growing the company and creating quality jobs with the

“They have really come together as a team and are seizing opportunity. Otherwise, they probably would’ve left town, like a lot of other kids do.”



An Insource Renewables crew installs rooftop solar panels. The business is in the process of converting to a worker-owned co-op. Photo courtesy Insource Renewables

Renewables. He committed himself to creating quality, living-wage jobs that would attract and retain young workers that might otherwise leave the area.

“Since my childhood, outsourcing has impacted almost every facet of our communities — our economy, our traditional jobs and our identity,” says Woodruff. “I believed that renewable energy could in-source good jobs back to our region.”

By 2016, the staff had grown to 11, including an eclectic mix of hardworking young people who wanted to stay close to home, experienced solar professionals who had cut their teeth in larger companies around the country, and some older

needs of his young family, so he contacted the Cooperative Development Institute.

As the director of CDI’s Business Ownership Solutions program, I work with business owners and their employees to facilitate conversions, which often means the business owner is looking to retire and exit the business at some point in the near future.

When Woodruff contacted us to discuss his business and his goals, we realized this was a perfect opportunity to show how employee ownership can also be a strategy for restructuring a company to facilitate sustainable growth. He wasn’t leaving town. This was about his deepening commitment to the business he was building and the team of workers he’d pulled together.

As Woodruff explains, “Ultimately, I was surrounded by a team of hardworking professionals who cared about the reputation of their work and their company. If we are going to grow in a manner that stays true to our mission and maintains that level of quality, the best way to do it is through a cooperative ownership structure that aligns our responsibilities and our rewards.”

Now that Insource Renewables’ workers, including Woodruff, have incorporated their cooperatively owned corporation, they are ready to complete the buyout of the company within the next few months. As of this writing, the co-op is lining up financing to buy the business and preparing to execute the transaction later this fall.

The next chapter then begins, not just in creating good-paying, high-skill jobs, but also in creating a greater sense of freedom and security that can result when workers own their work.

Better Living Through Technology

Mountain Tech Media co-op is helping Eastern Kentucky embrace digital age



By Kati Bowman

Editor's note: Bowman is a marketing and communications specialist with the Kentucky Center for Agriculture and Rural Development.

CO-OP MONTH Founded in 2015 in southeast Kentucky, Mountain Tech Media is a mission-driven, multi-stakeholder cooperative focused on growing the economy of Eastern Kentucky. Mountain Tech Media (MTM) provides diversified technology and digital design services to organizations and businesses in the Appalachian region and beyond.

Since its launch, several members of MTM are on their way to becoming worker-owners of the cooperative.

Izzy Broomfield, chief technology officer for Mountain Tech Media (MTM), captures video footage during an event in Frankfort, Ky. The multi-stakeholder co-op provides diversified technology and digital design services. Photo courtesy MTM

“I believe that being structured as a cooperative is the number one reason why Mountain Tech Media will succeed in southeastern Kentucky,” explains Geoff Marietta, investor and co-founder of MTM. “There are incredibly talented individuals here. Many of them have the raw skills to do the work. However, many of them do not want to do the back-end business pieces, such as invoicing and marketing.”

“Forming a cooperative,” Marietta continues, “helped us organize these people, talented in technology, under the umbrella of Mountain Tech Media; it immediately allowed us to offer many services.”

MTM’s services include multimedia production, web design, app

development, graphic design, animation, photography, tech consulting and specialized crowd-sourcing solutions. These services are currently provided through a network of eight talented individuals.

Meeting worker and client needs

“We got KCARD [Kentucky Center for Agriculture and Rural Development] involved at the end of 2015, and they were great,” says Marietta. “They came and met with us and Appalshop [a Kentucky-based nonprofit] to discuss what a cooperative is, how control works in a cooperative and how to have ownership shares.” Appalshop provided office space and

equipment to help launch the business.

When deciding how the business would be structured and would operate, Marietta liked the fact that with a worker co-op, “You are providing this incentive for worker-owners to actually be invested in the company.”

MTM turned to the KCARD to assist with the formation of the cooperative and in showing how the complex governance structure would work. KCARD worked with MTM on how the cooperative structure would work for this business and helped with membership agreements.

“There isn’t a diversified digital technology company in the region,” says Jeremy McQueen, co-founder and CEO of MTM. “We offer a one-stop-shop for a client’s tech and digital needs. As we work with clients, we are sharing the ideas of investing in various types of digital projects to bring them up to speed with what other people in national markets are doing.”

Mountain Tech Media’s future

McQueen and Marietta say the future for MTM is dependent on the cooperative structure and their worker-

member’s input into the business as it grows. As more workers become members of the cooperative, MTM will evolve not just to meet the worker-owners’ needs, but also to meet the needs of new clients.

“We are definitely building as we go, but our structure has been very innovative,” Marietta says. “This is the type of structure we need in rural economies where geographical distance and population density really do create a barrier to the means of organizations to serve customers better.”

Tap Root Cooperative

Rocky Mtn. food hubs join forces to extend market reach



A food shipment is transferred from a Southwest Farm Fresh Co-op (SWFF) truck to a Valley Roots Food Hub truck. The statewide Tap Root Cooperative was created when SWFF and VRFH joined forces with several other food hubs to extend their marketing reach. Photo by Ole Bye, courtesy SWFF

By Sandra Baca

Editor’s note: Baca is a project assistant with Rocky Mountain Farmers Union Cooperative Development Center in Denver, Colo.

CO-OP MONTH

Cooperative ventures often work best when several local operations come together to make the most of regional opportunities.

In 2013, a large group of producers and consumers, nonprofits and producer/consumer cooperatives in Colorado, Kansas, New

Mexico and Wyoming came together to find ways of meeting the challenges small producers face in accessing larger markets, including wholesale and institutional markets and restaurants. For many producers, developing these markets is literally a question of their long-term survival.

The solution they developed was to leverage the strength of the planned, emerging and existing food hubs in the region to form a finely-tuned network that could finally resolve distribution inefficiencies and product variety limitations. These 16 partners brainstormed about how to craft such a network, which proved to be so complicated that

Wyoming co-op “finds it legs”

Started in 2010 as a pilot project in southeast Wyoming, WyoFresh (www.wyofresh.com) “found its legs” as an online food co-op in 2012. The co-op enables producers to bring farm-fresh products, raised or made in Wyoming, to families throughout its vast marketing territory of 11,345 square miles — no easy feat, given the distances and limited growing opportunities involved.

If that vast territory is not enough, WyoFresh is now at work on expanding into central Wyoming.

This type of online market provides producers with significantly more markets without added travel expense — a tremendous benefit, given the distances involved. It also gives consumers the chance to purchase more locally produced foods, which can be a challenge in a state with a short growing season and a relative absence of fruit and vegetable production.

Consumer pick-up locations are in southeast Wyoming, western Nebraska and northern Colorado.

WyoFresh producers are committed to selling quality, locally-made items. Each producer is required to sign a standards agreement that ensures that member-producers may only sell products they themselves have grown or processed.

No member can buy wholesale from any other source and sell that item through WyoFresh, with the exception of when they are buying ingredients for value-added or processed foods. Value must be added by the producer. Simply repackaging ingredients from another source is not adding value.

For example, producers can sell tomatoes they grow, but not tomatoes grown by another producer. They can, however, buy tomatoes from another producer to make salsa in a certified kitchen to sell through the co-op. Another example is that member-producers can't buy an animal from another to butcher and sell through the co-op as though it was their own product.

The co-op's territory is vast, the markets relatively few and far between, the producers scattered. Yet, the WyoFresh online food co-op's future, while not guaranteed, looks promising, thanks to the determination of its member-producers.



Members of Arkansas Valley Organic Growers celebrate another grand day for farming in southern Colorado. Below, beef cattle being raised for the Valley Roots Food Hub. Both hubs are members of the Tap Root Cooperative.

they agreed the best way to proceed was “to start small.”

In 2016, a trading network of four farmer-owned food hubs emerged from the larger group and formed a business that could tackle these issues.

Supported with funding from the Gates Family Foundation and the Rocky Mountain Farmers Union Foundation, these four food hubs — Arkansas Valley Organic Growers, High Plains Food Co-op, Southwest Farm Fresh Co-op and (San Luis) Valley Roots Food Hub, along with distribution partner Peak to Plains Alliance — formed the Tap Root Cooperative.

The co-op produces and distributes a wide variety of mostly Colorado-grown, fairly priced fresh, organic, conventional and non-GMO (genetically modified) agricultural products to metro Denver and other Front Range locations. By trading with each other, the food hub members of Tap Root Cooperative have now extended their market reach across southern Colorado and the High Plains.

The co-op recently hired a marketing coordinator for Metro Denver, which should lead to significant new markets

for the partner hubs. The founding food hubs plan to soon jointly market products under the “Tap Root Cooperative” unified brand.

RMFU’s Co-op Development Center believes this

cooperative of farmer-owned food hubs is the first of its kind nationally. It has been sharing information about the co-op with other organizations and food hubs interested in embracing similar business structures and strategies.

Walk2Connect

Walking co-op builds healthy lifestyle and more through low-stress exercise



By Sandra Baca
Rocky Mountain Farmers Union

CO-OP MONTH Co-ops come in all shapes and sizes and can do just about anything that’s legal. No better proof is at hand (or, in this case, at foot) than with Colorado’s Walk2Connect Cooperative (W2C) — a worker-owned cooperative for walkers. Yes, walkers!

W2C helps people and communities become healthier and more connected while advancing awareness of the importance of designing walkable communities and enjoying the pedestrian experience.

Started as a limited liability company a few years ago, a team of W2C leaders decided in 2016 that the cooperative model better fit the spirit of their



The goal of Walk2Connect (W2C) is to bring people together from all walks of life to share the experience of walking. It started life as a limited liability company, but leaders decided the co-op model better fit the spirit of their grassroots, community-driven business. Photos courtesy W2C

grassroots, community-driven walking business. The goal of W2C is to bring people together from all walks of life to share the experience of walking: whether for an hour, two hours or even for a day or two.

The co-op's members are expert walking leaders who develop and manage creative, custom-walking contracts with business, nonprofit and government partners. They help sustain an ever-widening menu of free community walks (as many as 40 to 50 per week) that bring people together, highlight their surroundings and build healthy exercise habits.

Revenues last year were in six

figures, with public and private partnerships in Metro Denver and rural Colorado locales such as Alamosa, Yampa Valley/Craig and parts of Boulder County. Examples of recent community walks include a bi-lingual walk, meditative walking retreat, sunrise walk, dog walk and a farmers' market walking series.

Bill Stevenson, director of the Rocky Mountain Farmers Union Cooperative Development Center, recently experienced first-hand the work of W2C when he joined a group of Iranian immigrant women out for a walk in a Denver park.

"I happily accepted W2C's executive

director's invitation to walk, but expected nothing more than some pleasant company and good exercise in a park I was already familiar with," says Stevenson. "But the experience was so profoundly more than that. There was this almost magical connection, in just 45 minutes or so, with women I had never met and with whom I did not share a language or any personal history.

"I departed feeling a very unexpected, and very special rapport, with folks who were strangers just an hour before, as well as with the clearly caring W2C staff who helped lead us."

Pumpkin Power

Co-op helps small, South Ohio farms tap large markets

By Ivory Harlow

Editor's note: Harlow is a cooperative development specialist with the Ohio Cooperative Development Center, Ohio State University South Centers.

CO-OP MONTH Pumpkins are the third largest fresh market vegetable produced in Ohio. More than 7,000 acres across the state are dedicated to pumpkin production.

According to the USDA Agricultural Marketing Service, consumer demand for specialty pumpkins has grown steadily in recent years, and future growth is forecasted. The thriving market for pumpkins provides Ohio growers an opportunity to sell locally grown pumpkins at a premium price. The Southern Ohio Growers Cooperative (SOGC) illustrates how small farms can work together to serve large markets.

Buyers search for great pumpkins

Brad Bergefurd, horticulture specialist at the Ohio State University (OSU) South Centers, has conducted pumpkin research since 1998. His research identifies top-performing pumpkin cultivars with highly marketable traits and tolerance to plant diseases and pests. His reputation for helping farmers grow superior vegetables means Bergefurd often fields questions — from growers and buyers alike — about

pumpkins, produce and fresh vegetable marketing.

In 2015, Bergefurd received calls from regional buyers seeking pumpkins.

"I was being contacted by larger buyers. I talked to local growers who I have consulted with for years and who had shared their interest in expanding to wholesale markets; but they did not have large enough acreage to do it on their own. I pitched the idea of a marketing co-op, and invited them to OSU South Centers to meet with Ohio Cooperative Development Center (OCDC) Program Manager Hannah Scott."

A group of eight growers, including Cameron and Mandy Way of Way Farms, attended the meeting to explore how cooperatives help members achieve their goals.

"Our motivation to start a co-op was the idea that small growers could come together to serve larger markets," Cameron Way says. OCDC provided co-op education, assisted with business and financial planning, and guided the group through federal and state business filing procedures to legally form the Southern Ohio Growers Cooperative.

Co-op helps members diversify crops

The cooperative business model supports SOGC members' aspirations to diversify their operations.

"Over the years, we have had to reduce the amount of burley tobacco we raise," says Joy Bauman of Turkey Run Farms. "We had been seeking out other opportunities to

enhance our farm income. This is our second year of raising five acres of pumpkins. If it weren't for being able to work with the members of the SOGC on marketing, we would not have considered raising pumpkins to help fill the gap."

Cooperatives create stability, thereby strengthening relationships with customers. Consumer spending on fall décor is second only to Christmas spending. A stable supply is critical to buyers' bottom lines during the fall season.

"My farm had heavy rain this season," says John Voltolini of Three V Farms. "I anticipate a lower yield because of it, but other members can make up for shortages."

Members new to growing pumpkins benefited from the

bins and chemicals, and passes the savings on to members," she says.

Research, technical help benefits growers

Bergefurd continues to provide growing assistance to members of the SOGC. This year, his research focuses on powdery mildew, a persistent problem for pumpkin growers in Ohio. OCDC also provides ongoing technical assistance to the co-op, including board of director training, and helps members develop a marketing agreement and end-of-year financial statements.

"One of my proudest moments was seeing SOGC's first-

Cameron and Mandy Way check on the pumpkin crop at Way Farms. The motivation behind the Southern Ohio Growers Co-op "was that small growers could come together to serve larger markets," says Cameron. Inset: Kent Bauman with his daughters Molly – holding a 40-pound, Early Giant variety pumpkin – and Whitney. Photos courtesy Ohio Co-op Development Center



Local growers wanted to expand to wholesale markets, but did not have large enough acreage to do it on their own.

advice of members who had grown and marketed pumpkins in the past. Members Cameron and Mandy Way guided new growers through chemical application procedures. When it was time to pick varieties for the upcoming growing season, veteran growers shared their experience and selected varieties with consistent performance.

Mandy Way's background in business helps her effectively manage the co-op. She oversees ordering, distribution and supply purchasing. "The co-op purchases bulk supplies, like

year profits shared back with members," Hannah Scott says. "That revenue would not have happened without the co-op."

The Southern Ohio Growers Cooperative's first season was a success. SOGC delivered over 500 bins of pumpkins to regional retailers.

The co-op's goals for the future include building a reputation for quality, increasing the volume of pumpkins and adding additional fresh produce offerings.

A Voice for All

Dynamic Governance promotes inclusive decision-making that reflects co-op values

By John McNamara

Editor's note: McNamara is a cooperative development specialist with the Northwest Cooperative Development Center in Olympia, Wash.

CO-OP MONTH The Northwest Cooperative Development Center (NWCDC) teaches Dynamic Governance as a tool cooperatives can use to enhance members' voice and to strengthen co-op values of democracy and solidarity. This model provides openness in deliberations and accountability for decisions. Dynamic Governance, also known as sociocracy, provides a renewed cooperative advantage that engages owners and stakeholders.

NWCDC learned about dynamic governance from its clients. Two rural Oregon cooperatives — *Blue Scorcher Bakery* in Astoria and *Our Table*, near Portland — sought a governance model that included everyone's voice. While working with them, NWCDC staff gained an appreciation for this decision-making model.

The Center invited Jerry Koch-Gonzalez, of Sociocracy for All (SoFA), to lead a workshop at the 2016 Co-op Roots Conference in Spokane, Wash. A NWCDC staff member participated in SoFA's Sociocracy Leadership Training and participates actively in SoFA's Co-op Sector Circle to bring the benefits of Dynamic Governance to more co-ops.

How does Dynamic Governance benefit co-ops?

This governance method operates on the basis of participation, accountability and consent. Participation through



The Northwest Cooperative Development Center (NWCDC) learned about dynamic governance from two of its Oregon cooperative clients – Blue Scorcher Bakery in Astoria (seen here) and Our Table restaurant, near Portland. This model of co-op governance helps ensure that everyone's voice is heard. Photo courtesy Blue Scorcher co-op

Dynamic Governance means the inclusion of all relevant stakeholders: front-line staff, management, members, consumers, suppliers, etc.

Accountability occurs through

feedback loops, with decisions reviewed for efficacy at every level. Consent is reached through the agreement of members who help to make the decisions that affect their work

for the cooperative.

Participation occurs in work units, known as circles, which help co-ops remove artificial separations between management, staff, directors, engaged members and other stakeholders. The process taps into the synergies available by creating space to hear all voices. Dynamic Governance aligns governance and operations with the mission of the co-op.

Each circle — from those with the broadest scope, such as the board of directors, to the narrowest, such as a set of front-line staff — creates and implements the policies affecting the work in its domain that relates to the co-op's overall mission statement.

In this way, key stakeholders of the organization have accountability for the success of the co-op's mission. Circles identify problems and develop solutions together through open discussion that happens in a "round-robin" format, which ensures that all voices are heard. If a problem affects more than one department (or circle), it might be deferred to a higher level in the hierarchy.

Dynamic Governance engages accountability through a double-linked

hierarchy, from the top-down and bottom-up. A top management circle consists of managers from each department and staff representative from each department.

The general manager (appointed by the board) hears from both the front-line staff and management regarding the department's ability to meet established goals. Decisions also have built-in accountability through a planned feedback loop. Circle members decide if a proposal is "good enough for now."

Review determines if goal accomplished

Generally, decisions include a date for review to determine if it accomplished what the circle expected. This review creates an ability to adjust decisions as the market changes or new information arises. It also provides reassurance to those who have doubts about the decision and provides opportunity for the decision to succeed — or to identify a needed change.

Participants consent to the decisions that involve creating accountability of all circle members to the implementation of their decision. Making decisions through each

participant's consent, instead of traditional parliamentary procedure, may seem scary. But in practice, it allows the group to work through disagreements.

While many co-ops use majority rule, anyone who has experienced a contested, 5-4 board decision knows how frustrating that can be. Circle participants develop true buy-in to the organization's decision, as they were part of the discussion and can understand why the group took a specific course of action.

Growing numbers of cooperatives have begun to implement Dynamic Governance, with the help of local workshops and training. Consent, accountability and participation match up well with the co-op values of openness and honesty.

Dynamic Governance connects different stakeholder groups (member-owners, staff, producers, consumers) to the mission of the organization and to each other. By providing all of these individuals a voice in the organization, Dynamic Governance also builds loyalty. This creates a stronger cooperative advantage and builds resiliency within the marketplace.

Shine On

Solar energy provider converts to worker-owned cooperative

By Megan Webster

Outreach Specialist

University of Wisconsin Center for Cooperatives

CO-OP MONTH

The year 2016 was a record-breaking year for solar installations across the nation. Boosted by the decreasing cost of solar panels and the increasing visibility of the impacts of carbon pollution, the solar energy sector is rapidly generating jobs and clean energy capacity. The solar sector now employs over twice as many workers as the coal industry and, according to the Solar Energy Industries Association, "total U.S. installed solar PV [photo voltaic]

capacity is expected to nearly triple over the next five years."

North Wind Renewable Energy was founded in 2007, when the U.S. solar market installed just 1 percent annually of what it installs today. Josh Stolzenburg started the company in Stevens Point, Wis., to get cleaner energy installed on utility electric grids in Wisconsin. During the past 10 years, North Wind has become a trusted renewable energy solution provider in central Wisconsin, specializing in the design and installation of solar electric systems for residential and commercial customers.

The spark

In April 2015, Stolzenburg attended a seminar, organized

Members of North Wind Renewable Energy (NWRE) work on a solar panel installation in Wisconsin. Founded in 2007, the business recently completed a nine-month process of converting to a cooperative. Photos courtesy NWRE



by the University of Wisconsin Center for Cooperatives (UWCC), on employee ownership as a business succession and retention strategy. The seminar featured Blake Jones, co-founder of Namasté Solar, a solar energy company headquartered in Boulder, Colo., which converted to worker ownership in 2011.

Many of Jones' reasons for converting to a co-op rang true for Stolzenburg: a belief in economic democracy, building wealth for those committed to the long-term success of the company and a commitment to improving community, among others. Stolzenburg believed the cooperative model aligned with North Wind's values and could reinvigorate the company's culture.

At the time, North Star was a four-member LLC (limited liability corporation) that had become somewhat stagnant in its communication and was struggling to openly discuss the future of the company.

Transition to worker-owned co-op

After nearly a year of researching the cooperative business

model and discussing it with employees, North Wind officially started the process of transitioning to a worker cooperative in 2016. The group assembled a team of advisors to help them through the process, including Courtney Berner, cooperative development specialist with UWCC, Margaret Bau, co-op development specialist with the USDA Rural Business-Cooperative Service, and attorney Scott Herrick of the Herrick & Kasdorf law firm, who specializes in working with co-ops.

As with any business structural change, there were some bumps along the way. It was difficult to find time to discuss the conversion process and educate prospective members. Adapting to the new structure also required addressing some interpersonal conflicts and navigating the differences between operational and governance decisions.

After nine months of hard work, North Wind completed the transition in April 2017.

Reflecting on the conversion, Stolzenburg says "the shift to governance by a board of directors changed the communication dynamics relatively quickly and provided a more open and honest exchange among members. It allowed

us to work through some interpersonal dynamics that had developed that were unhealthy, and it put systems and review procedures in place to deal with them.”

In April 2017, Stolzenburg was back at the UWCC’s Employee Ownership Solutions Seminar, this time, with fellow member, Rob Peck, with a presentation on their conversion to employee ownership. They discussed how the change has affected their company’s structure, culture and bottom line.

Bright future

North Wind employs 12 full-time staff members. Of those, six are co-op members. In 2018, four additional

employees will be eligible to apply for membership.

“Going forward, shared decision making will take into account a more diverse set of perspectives on how we should grow and what we want to invest in,” says Stolzenburg. “Long term, we can look at North Wind as more than the sum of its parts.”

North Wind is currently working with partners to develop innovative solar financing models for small businesses and nonprofit organizations. In the coming years, the cooperative plans to ramp up its energy storage services in order to remain competitive in the rapidly evolving solar industry.

For more information on the co-op, visit: www.northwindre.com.

Co-op Principles in Action

Child care center created through spirit of cooperation of electric co-ops and community leaders

By Clarice L. Kesler

Editor’s note: Kesler is communications manager for the North Dakota Association of Rural Electric Cooperatives.

CO-OP MONTH

Principles guide cooperatives. Concern for community is one of those principles.

Energy Capital Cooperative Child Care in Hazen, N.D., is a prime example of this principle in action, spotlighting how a co-op is helping to build a stronger community. This child care co-op, which opened its doors in May, can provide quality daycare for up to 77 children. It is the first employer-assisted cooperative child care center in the state.

The idea for the child care co-op began when local businesses saw a desperate need for daycare options. Community leaders stepped up to find a solution, soon focusing on the idea of a child care cooperative to meet the deficit. If a co-op could provide quality child care, they knew it could help keep valuable employees in the workforce.

But they needed help in forming



Playing and learning at the new Energy Capital Cooperative Child Care center in Hazen, N.D. The co-op can provide quality daycare for up to 77 children. Photos courtesy North Dakota Association of Rural Electric Cooperatives

a co-op.

Enter the Rural Electric and Telecommunications Development Center (development center), which guided the group toward its goal. The center is a service offered by the North Dakota Association of Rural Electric

Cooperatives (NDAREC). It is supported by both electric and telecommunications co-ops.

“NDAREC’s rural development center has leveraged more than \$1 billion in projects since it began in 1994,” says Josh Kramer, executive vice

president and general manager of NDAREC. “We are proud of its success.”

Development center boosts project

The development center had spent several years researching co-op daycare services and facilitating discussions across the state, so it proved to be critical to the project. Along with research, the development center offered facilitation and financial support.

“With grant funding, we were able to bring in an expert in child care cooperatives to meet with parents in Hazen. The experience provided a level of confidence to encourage enrollments in the center,” says Lori Capouch, rural development director at NDAREC.

Basin Electric Power Cooperative, a major employer in the area, led a group of seven local businesses to build support for the co-op. Employers quickly volunteered money, staff time, equipment and expertise to get the project moving.

In October 2016, soon after discussions began, the group incorporated as a nonprofit. Good fortune soon followed when New Bethel Congregational Church sold its building to the group for “a charitable price.” Both the church and the co-op wanted to honor New Bethel’s legacy of ministering to the community, so the building was named “New Bethel” to reflect this goodwill.

The business operates on the cooperative business model, in which parents are the members. The initial



The Rural Electric and Telecommunications Development Center was launched in 1994 by the North Dakota Association of Rural Electric Cooperatives (NDAREC). The center provides economic development help to communities. It often works in partnership with the United States Department of Agriculture (USDA).

By working with electric and telecom co-ops, the center guides people through the development process. It offers business analysis, a variety of funding options, facilitation and technical expertise.

Area employers involved in starting the child care cooperative:

- Basin Electric Power Cooperative and its subsidiary, Dakota Gasification Co.
- Sakakawea Medical Center
- North American Coal Corporation, representing the Coteau Properties Co. and Coyote Creek Mining Co.
- Union State Bank
- Knife River Care Center
- Coal Country Community Health Centers
- Coyote Station
- Hazen Public Schools



board members are the founding partners. But as Energy Capital Cooperative Child Care transitions through the start-up phase, parents will eventually become the board members.

Dana Santini, the child care co-op director, is supervised by the board. Together, they will work to set the strategic direction and educational offerings for the center. The child care cooperative, as all co-ops should be, is guided by the seven cooperative principles.

If this co-op model proves successful, partners are already looking to form another cooperative in the nearby town of Beulah, N.D.

Caring for Our Care Givers

Co-op strives to meet needs of a growing senior population while improving work conditions for members

By Mary Byrne

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Editor's note: Byrne is communications consultant at the Cooperative Development Foundation, NCBA CLUSA.

CO-OP MONTH Waushara County in rural, central Wisconsin is home to an unusually high percentage of seniors. About 20 percent of the people living in the county are over age 65. That's a lot — especially when compared to the national average of 12 percent.

Trying to provide in-home assistance — recognized as the best care option for seniors and people with disabilities — strained the county's resources.

Recruiting, managing and paying home care workers to meet the growing need had become unmanageable.

The county's system for connecting workers with clients — paying in-home workers through a financial intermediary — had become a liability risk. Workers were poorly paid, poorly trained and had no benefits.

Waushara County's reality is a harbinger for the country. According to the National Council on Aging, the number of people needing care is going to double in the next decade. *Fortune* magazine calls home care “the worst paying, fastest-growing job in America.” Of 2.5 million home care workers, 90 percent are female, more than half are non-white and 50 percent receive public assistance.

Worker co-ops can help

In Waushara County, Lou Rowley, director of the county Department of Human Services, had a solution: start a home care worker co-op. Lou was



With a new, streamlined financial plan, Cooperative Care, a co-op of home care workers, is headed toward stability and expansion. Seen here are Rebecca Koehler, marketing coordinator, Debra Schultz, finance coordinator, and April Stevens, program manager. Photo courtesy Cooperative Care

inspired by a case study about Cooperative Home Care Associates in the south Bronx, N.Y. If a co-op of women re-entering the labor force (because of Welfare to Work policies) worked in a big city, could a co-op of experienced caregivers work in a rural county?

For two years, local social worker Dianne Harrington and co-op developer Margaret Bau (co-op development specialist with USDA's Rural Business-Cooperative Service) assisted a steering committee of caregivers to organize Cooperative Care. With a \$125,000 loan from a local bank, Cooperative Care opened for business in June 2001, becoming the first rural home care co-op in the country.

For Cooperative Care members,

working conditions improved immediately. With public pay and some private-pay clients, the co-op was able to offer improved wages, worker compensation, time-and-a-half pay for holidays, 10 days paid vacation, travel reimbursement and health insurance. Career advancement became an option for the first time, with leadership and management positions available in the mostly women-owned business.

Client care improved as well, because workers were better trained and more satisfied with their employment situation. With a \$100 buy in, and end-of-year profit sharing, workers became invested in the success and reputation of the business.

“It was a win/win situation. With the co-op as the employer, and not the county, workers got benefits and clients

got better care,” says Tracy Dudzinski, a certified nursing assistant, board president and Cooperative Care’s human resources coordinator.

But, after 15 years in business, Cooperative Care was struggling. Because of stagnant Medicaid funds and a move by the state to a managed care system, reimbursement rates for public pay clientele were not keeping up with costs. Across Wisconsin, real wages in the home care industry dropped by 10 percent, making it increasingly difficult to attract caregivers. Providing care to public pay clients was still 85 percent of the Cooperative Care’s revenue stream.

Struggling to find workers

Meanwhile, the co-op was having to turn away higher-paying, private-pay business, also because of a lack of workers. The 15-year-old co-op needed help, and fast.

Dudzinski knew the need was clear and urgent. “If we didn’t drastically

change something we’d be in trouble.”

She and her colleagues thought the Cooperative Development Foundation (CDF) could help. CDF, which supports cooperative development through grants and scholarships, had assisted Cooperative Care soon after its founding with three grants for caregiver education.

Cooperative Care’s need matched CDF’s mission. “Helping Cooperative Care was an opportunity to use the cooperative model to improve the job quality of home care providers while addressing the issue how to keep seniors in their homes,” says Leslie Mead, executive director of CDF.

Using grant funds from USDA and from its own Cooperative Development Fund, CDF connected managers at Cooperative Care with technical assistance from cooperative development experts at the University of Wisconsin Center for Cooperatives and with the ICA group, a business

dedicated to providing technical and business assistance to worker cooperatives.

With a new, streamlined financial plan, the renewed co-op is now headed toward stability and expansion. Clients report receiving quality service.

One grateful client wrote: “I’m so glad for all your help. Without you, I would not be able to make it in my apartment.”

And business is improving. Cooperative Care now has a contract with the U.S. Veterans Administration and plans to grow its private-pay sector. Workers earn an average of \$12.75 an hour, considerably higher than the national average. Although the 40-member cooperative can no longer afford to pay for health insurance, other benefits remain, including compensation for mileage.

Says Dudzinski: “The only thing inhibiting our growth now is our ability to recruit workers.”

National conference for home care workers, managers Nov. 6-8

The Cooperative Development Foundation will host the second National Home Care Cooperative Conference Nov. 6-9 at the National Rural Utilities Cooperative Finance Corporation headquarters in Dulles, Va. (at a major international airport, less than an hour west of Washington, D.C.)

The conference brings together home care cooperative board members and technical assistance providers to strengthen home care cooperatives and streamline home care cooperative development.

This year’s conference will include a day of targeted pre-conference programs. Home care cooperative members will attend a training on improving staff communication and feedback, conducted by the Paraprofessional Health Institute, a national leader in helping home care organizations develop practices and policies that attract and retain productive, loyal employees.

Technical assistance providers will lead a session on strategies for expanding and accelerating home care cooperative development.

CDF covers expenses related to travel, lodging and registration fees for home care providers to participate in the conference, with support from the MSC Fund, Capital Impact Partners, the AARP Foundation and other sponsors.

While home care providers are key to keeping seniors and the disabled out of nursing homes and hospitals, they are some of the lowest paid workers in the United States. CDF supports empowering workers and improving working conditions through the cooperative model to create an environment of stable, reliable and consistent care.

CDF also supports the development of homecare cooperatives by coordinating technical assistance for cooperatives and funding research. In 2016, CDF dedicated \$194,440 to home care cooperative research and development, with the goal of developing a replicable, scalable model for home care cooperative growth.

Information about the conference, registration and scholarships can be found on CDF’s website: www.seniors.coop.

Building a Local Poultry Economy

Montana's first co-op poultry processing facility creates new opportunity for producers



Pasture-raised poultry, such as these chickens housed in movable coops at Living River Farms in Montana, can now be processed within the state, thanks to a new packing facility built and operated by the Montana Poultry Growers Cooperative. Photos courtesy Living River Farms

By **Catie DeMets**

Editor's note: DeMets is a Master's student in the Environmental Studies Department at the University of Montana. She wrote this article in collaboration with the Cooperative Development Center at Lake County Community Development Corporation (LCCDC). For more information about LCCDC, visit: www.lakecountycdc.org.

CO-OP MONTH Montana is a challenging state for growing pasture-raised poultry, due to its harsh climate and the long distances between marketplaces. In 2006, six poultry growers formed the Montana Poultry Growers Cooperative, aiming to overcome these challenges by providing shared resources that support poultry production and processing and, in turn, help develop the state's local

food economy. The co-op has grown to 15 members, who have benefited from services like shared processing equipment and collective feed purchases. The co-op's recent construction of a poultry processing facility is helping producers grow their operations and reach new markets.

Until last year, the lack of a processing facility significantly limited the growth of a local poultry industry. "There was literally no facility we could use for processing birds under state inspection," says Laura Garber, one of the co-op's founding members.

Before July 2016, the only state-inspected poultry processing facility was owned by the New Rockport Hutterite Colony near Choteau, in central Montana. Under state law, the Colony – as owner of the inspection license – is the sole legal user of the facility.

Without a licensed processing facility they could use, other poultry growers were in a bind. Very few markets were

willing, or able, to buy poultry that was not state-inspected. This deterred many producers from growing their operations beyond a few hundred birds, at most, per year.

Mobile unit no silver bullet

In 2007, the co-op tried an innovative strategy to address the need for a processing facility: a mobile processing unit that traveled from farm to farm. While this provided a market entry point for homestead-scale and micro-industry poultry growers, the logistics of the operation made it uneconomical.

“We would drive it 600 miles to process 100 birds, and then we had to drive it back,” Garber says. “It just fell off the usability scale.”

For the community, the value of the facility is changing the value of the birds, “because it puts something real back into someone else’s pocket, too.”

Between the vast distances separating producers and the wear and tear caused by so much transport, the mobile unit proved unviable. It was dismantled in 2012.

This left a critical market void for co-op members and other poultry growers across the state. For most members, it meant scaling back or maintaining production levels that were manageable for producers using the co-op’s shared processing equipment.

Three sets of the equipment — each consisting of a small plucker and scalding — are located around the state for members to rent. Producers do their own pickup and return of the gear. This is an attractive option for growers who want to process poultry for personal consumption. Without state inspection, however, poultry processed using the shared equipment is not legally saleable.

For those poultry growers wanting to enter the market, a state-inspected facility was still the key to building a local poultry economy. Some members had previously explored the option of building their own brick-and-mortar processing facilities, but the cost of doing so was prohibitive. Moreover, under state licensing law, only the producer who built the facility was legally permitted to use it. For producers looking to expand their operations, this presented a major obstacle.

Finding a solution in cooperation

In 2014, Beau McLean and Christopher Green started Living River Farms just a few miles from Garber’s farm. Hoping to fill the niche of locally, sustainably raised poultry, McLean and Green started looking for ways to build a processing facility, which they considered the lynchpin for their operation.

Meanwhile, Garber was also seeking to expand her poultry

operation but could not see how to do so without a processing facility. When Ravalli County economic development agent Julie Foster, who had been working with both parties independently, introduced them to one another, the wheels began to turn.

The first step was to figure out how to build a processing facility that both Garber and Living River Farms could legally use. The second step was to secure construction funds.

As the new partners dove into the regulations, they learned that while the law says a facility must be owned by a single entity which also must be the sole user, there was no specification regarding the owning entity. How, they wondered, could they become one entity?

At that point, McLean and Green were not co-op

members — they had initially been unaware that the co-op existed. Garber pointed out that if McLean and Green joined the co-op, it could move forward on the project as the entity that would own the poultry inspection license. Any member of the co-op would then be legally entitled to use the facility. It was the perfect solution.

It took some long discussions to get the Montana Department of Livestock on board, but eventually the state agreed that the co-op could own the license. As Garber points out, “No one [in Montana] had done it that way yet. They were skeptical at first. But it’s totally legal.”

The co-op tapped a variety of funding sources to build the facility, notably a Growth Through Agriculture grant from the Montana Department of Agriculture and by forming a partnership with Montana Farmers Union. Combined with funding raised through a Kickstarter campaign, the co-op raised the necessary funds — about \$120,000. The facility was built on Garber’s farm, near Hamilton, within an hour’s drive from Living River Farms and a number of other co-op members’ farms.

Laying the foundation

Construction began in late 2015. Co-op members, key partners, and advisors (such as a state meat inspector) performed the majority of the planning and construction work. There were no off-the-shelf plans or blueprints available for a facility suitable for the co-op’s needs. So, they made adjustments to the plan as they went.

“We literally went out on the concrete pad and drew everything out with chalk [as we] stood there,” visualizing pieces of the facility, Garber recalls. They erased and redrew lines to create an on-the-spot blueprint.

There was also lag time between construction and the receipt of funding (the former progressing faster than the latter). Despite such challenges, the facility was finished, inspected and approved for business by July 2016; processing began almost immediately.

The facility has been quite successful so far, co-op members say.

“It’s a good little facility,” says Gary Hamel, bureau chief of meat inspection for the Montana Department of

Although there has generally been less co-op activity in eastern Montana, some members are beginning to discuss the possibility of opening another processing facility.

Mark Rehder, a longtime co-op member from central Montana, explains that an additional facility could act as a catalyst for spurring more interest in growing poultry and would better serve existing co-op members in the eastern part of the state.

This would be “challenging at best,” says Rehder, but is an



The power of the group — “a community of like-minded individuals” — is the essential lifeblood of the co-op.”

Livestock. “It’s not a big facility, but it doesn’t have to be in order to be relatively efficient. They’re doing about 300 birds a day when they operate, which is on par with New Rockport Colony [the largest poultry producer under Montana state inspection].”

The heart of the co-op

While highly accessible to some members of the co-op, the facility’s location in a far corner of western Montana makes it unfeasible, if not inaccessible, for use by many producers in the central and eastern part of the state, which stretches nearly 560 miles, east to west. In a state as large and sparsely populated as Montana, accessibility would be a problem no matter where the co-op placed the facility.

idea that deserves a close look. “It would only take one or two growers coming in and actually deciding to scale-up to make a new facility viable.”

What the co-op has learned from its experiences can be shared with others. Some members see the power of the group — “a community of like-minded individuals,” as one member put it — as the essential lifeblood of the co-op.

Rehder, working on his own, was struggling to bring a mobile processing unit to fruition when he approached the co-op about the concept. “They said, ‘Let’s join forces to do this together.’ And it was the partnership that made the mobile unit happen.”

While the mobile unit eventually proved unsuccessful, it did prove the power of cooperation in turning

Working for the community

Even without its new poultry processing facility, many members see the co-op as providing significant economic benefits for growers through collective feed ordering and by sharing the co-op's processing equipment. In a rural state like Montana, these services are what enable small-scale poultry production.

With a small but growing number of beginning farmers in Montana, the co-op provides a venue for sharing ideas and knowledge in a region where small-scale poultry production is difficult, due to predators and a short growing season, among other reasons.

As the most significant group of local poultry growers in the state, the Montana Poultry Growers Cooperative helps interested growers tap into a new niche market. The potential for growing this market is "wide open," according to Jan Tusick, advisor to the co-op.

Tusick has a solid grasp for market potential in the state, based on her many years serving as director of the Cooperative Development Center at the Lake County Community Development Corporation (LCCDC). She has provided technical assistance to the poultry co-op as well as to a number of other co-ops and small food enterprises.

LCCDC has been highly successful and ambitious in promoting and supporting the growth of a regional cooperative network and local food economy in western Montana.

Like LCCDC, co-op members' interest in poultry production extends beyond personal economic gain to serving the community and developing Montana's local food economy; for example, the co-op employs about six people who work at the processing facility. Garber explains that members are "creating a job for somebody by bringing their chickens to the facility and having someone else process them. It's a community benefit."

an idea into reality.

The co-op has learned the importance of the group uniting around common needs and collaborating in small, rural communities, "particularly for growers who are trying to take the next step up beyond the small-scale, homesteading equipment to [expand to] a business scale," Rehder emphasizes.

If your goal is a new facility, Garber says the most important question is: "Who's your group that will make it happen? That's going to be the biggest challenge."

The co-op's poultry processing facility is a "complete footprint that someone could copy," Garber says. "The design of the building and the permitting, which meet all codes, and the process of using the facility — it could all be transplanted somewhere else. All someone needs is \$120,000 and a place to put it," she adds with a laugh.

Creating economic opportunity

Although the co-op received funding to support the development of the facility, "the co-op's revenues have covered the operational costs," according to Jan Tusick, director of the Cooperative Development Center at Lake County Community Development (LCCDC), who provided the co-op with technical assistance in fundraising, fiscal management and food safety planning.

The co-op employed six to eight people at the processing facility during its first year. "Everyone who's working at the facility is getting paid a fair wage, which is really important," Garber points out. As members grow their operations, the co-op hopes it can employ more workers in its processing facility.

Ultimately, the impact of the co-op is greater than just the money producers earn for their chickens.

"There's way more to it than just the cost of the 'end bird,'" she continues. "The facility might not be changing the price of my bird that much, but for the community, it's changing the value of my bird, because it puts something real back into someone else's pocket, too."

The co-op may also begin to explore the possibility of developing its own label, which would support efforts to educate the public about why locally, sustainably grown poultry is more expensive.

Dave Renn, a co-op member in western Montana, explains that the co-op is well-positioned to engage in this educational effort. "People will pay more if they really feel like they're getting something different and more valuable... The way to do that is to completely eschew the industrial scale and collaborate to make the smaller, radically different system work."

As the co-op embarks on an ambitious journey towards developing a more local food system, its members seem bolstered by a sense of personal and collective pride in their work and the difference they are making in their communities.

"The idea of doing something together has a lot of benefit, if for no other reason than just having the correct mentality that a rising tide floats all boats," says Audra Bergman, a member in central Montana. "The co-op and the processing facility is one small step in changing the world. It's one of a kind." Smiling, she adds, "That's way too cheesy. Don't tell anyone I said that!" ■

Newsline

Co-op developments, coast to coast

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



Greetings from the country — Darigold's new fleet of trucks deliver a co-op ownership message along with nutritious dairy foods.

Photo courtesy DariGold

Darigold brings delivery fleet in-house, adds 200 workers

Darigold Inc., Seattle, Wash., is bringing its delivery fleet in-house to enhance focus on local, farm-to-market delivery and to better serve customers by connecting local farm families with consumers. Darigold is the marketing and processing subsidiary of Northwest Dairy Association (NDA), owned by nearly 500 dairy farm families.

“We are making this investment to upgrade our local delivery capabilities and maintain control throughout the value chain,” says Darigold President/CEO Stan Ryan. Estenson Logistics had been Darigold’s dedicated carrier for finished goods since 2009, but this summer the company was sold, presenting an opportunity for the co-op

“to make a strategic decision about the fleet.”

The delivery fleet operates out of Seattle and Spokane, Wash., Portland, Ore., Boise, Idaho, and Bozeman, Mont. — locations where Darigold has processing plants. The company is hiring about 200 employees to conduct delivery of finished goods. The change includes 100 tractors and 180 trailers.

Upstate Niagara buys Kraft's Campbell plant, saves 150 jobs

Upstate Niagara, a dairy farmer cooperative based in Buffalo, N.Y., has purchased a struggling Kraft-Heinz cheese plant in Campbell, N.Y., where it will continue to employ 150 workers who were on the verge of losing their jobs if the plant had closed. Kraft-

Heinz has pledged an ongoing investment of \$3 million to \$5 million to improve and maintain the Campbell facility.

“We’re thrilled that Upstate Niagara Cooperative has agreed to purchase our Campbell dairy facility and has signed a long-term co-packing agreement with Kraft-Heinz,” says Michael Mullen, senior vice president for corporate and government affairs at Kraft. “This deal guarantees that at least 125 jobs will remain in Campbell, with anticipated growth to 150 within a year.”

“We look forward to adding the Campbell cheese facility to our organization in the coming weeks,” says Larry Webster, CEO of Upstate Niagara. “As a dairy cooperative owned by farm families throughout the region,

this acquisition is an investment by our member-owners towards continued and long-term growth for our cooperative and the Campbell facility. We are proud to be able to keep manufacturing jobs within the community while offering additional products and manufacturing capabilities to our customers.”

Upstate Niagara is owned by 360 dairy farms throughout western New York.

GROWMARK in new grain partnership

GROWMARK Inc. and COFCO International Limited (CIL) are forming a new grain partnership, bringing together the farmer cooperative network of GROWMARK with the global trading power of CIL. The result will be an extensive supply chain that directly links the farmers from the richest food production areas of North America to the global feed and food industry, including its largest demand market, China, according to a joint press release.

The partnership includes joint ownership and operation of the barge, truck and rail terminal at Cahokia, Ill., which has frontage on the Mississippi River, as well as a grain origination agreement. GROWMARK will staff a grain merchandiser in CIL's St. Louis office to originate grain and to service patron accounts.

“The partnership positions the GROWMARK System for expanded access to value-added grain markets,” says Jim Spradlin, GROWMARK CEO. “U.S. agriculture exports to China totaled \$21 billion in 2016. It is the world's largest importer of soybeans and is consistently ranked as our second largest agricultural export market.”

Heikes new CEO at CRI

Cooperative Resources International (CRI), Shawano, Wis., has named Keith Heikes as its new chief executive officer. Heikes, who had been serving as the chief operating officer for CRI's GENEX subsidiary, succeeds Doug Wilson.

Indiana ag co-ops merging

More than 40,000 customers and almost 9,000 Indiana and Michigan farmers started doing business Sept. 1 with the new Ceres Solutions Cooperative, formed through the merger of Wabash, Ind.-based North Central Cooperative and Crawfordsville, Ind.-based Ceres Solutions LLP. Members of the co-ops gave “nearly unanimous” support for the merger in an election late last fall, the co-op reports.

Since the vote, employee teams have been serving agronomy, energy and feed customers, as usual, plus working behind the scenes to ensure a smooth business transition.

For local customers, the main difference they will notice is a new logo on the North Central side; on the Ceres Solutions side, there will be a renewed



commitment to the business philosophy of being centered on the customer, says Rob Versprille, the new board chairman.

“There was not much geographic overlap, so our employees have been reaching out to each other to tighten the service network we have across Indiana and up into Michigan,” Versprille said from his family farm near Cicero, Ind.

“We are certain to go to market stronger

as one. Plus, we are fortunate this partnership is between two financially sound, successful entities with two very like-minded cultures.”

“We believe the strengths to be gained will be significant, and our customers should know: our local commitment to serving their needs remains the same, adds Ceres Solutions Cooperative President/CEO Jeff Troike.

For more information about the new co-op, visit: www.ceres.coop.

Heikes has nearly four decades of experience in the cattle genetics and artificial insemination industry. He served as the COO for GENEX's predecessor NOBA Inc., and then led the development of CRI's global marketing program. He was tapped to head the GENEX division in 2014 and helped grow the cooperative through exceptional market share.

“Keith is a strong leader with an extensive background in cooperative leadership and experience in both domestic and global marketing,” says CRI Board Chairman John Ruedinger. Heikes has served on numerous industry councils and boards during his career, including a stint as chairman of

the National Association of Animal Breeders.

CRI has annual sales of more than \$189 million and employs a staff of 1,350 worldwide.

USDA funding rural broadband infrastructure in four states

Agriculture Secretary Sonny Perdue in June announced that USDA is awarding four loans to help provide broadband service in rural portions of California, Illinois, Iowa and Texas. The \$43.6 million in loans will add nearly 1,000 miles of fiber for broadband service.

“Too many rural areas still lack access to robust, affordable broadband services

that can create jobs and boost rural economies,” Perdue said. “These broadband infrastructure investments will connect rural communities to a digital future and will help expand access to high-speed internet, health care, educational and business services in rural communities.”

Perdue announced the broadband loans after celebrating Infrastructure Week in June with President Trump in Cincinnati.

USDA’s partnerships with more than 500 telecommunications providers across the country fund broadband infrastructure investments that are uniquely designed to meet the specific needs of each rural community. These projects connect residents, businesses, health care facilities and community facilities — including schools, libraries and first responders — to the internet.

The loans are being provided through USDA Rural Development’s Telecommunications Program.

Southern States selling feed business to Cargill

Cargill, Minneapolis, Minn., is buying the animal feed business of Southern States Cooperative Inc., Richmond, Va., subject to regulatory approvals. Terms of the deal were not disclosed.

The purchase includes seven feed mills and a portfolio of products, brands and customer and supplier relationships. The other segments of Southern States’ business — retail, farm supply, energy and agronomy — are not part of this transaction.

A previous deal, announced last November, under which Southern States was to sell the feed business to Land O’Lakes Inc., fell through after the latter co-op decided to instead build an animal feed manufacturing facility in Roanoke, Va., by late 2018.

“Southern States is excited to partner our feed manufacturing business with Cargill,” says Jeff Stroburg, president and CEO of Southern States. “It’s important to note that while Southern States will no longer be making feed,

we are committed as ever to provide feed to our members and customers.”

Southern States animal feed business represents about 20 percent of its overall annual revenue, generating about \$300 million in annual sales, according to a report in the *Richmond Times Dispatch*. Southern States is owned by more than 200,000 farmer-members and operates 1,200 retail stores in 23 states.

Report: ethanol consolidation likely as margins decline

The ethanol market will soon face worsening, slim-to-negative profit margins, which could potentially push the industry toward consolidation, according to a new report from CoBank’s Knowledge Exchange



Flex fuel pumps can provide various ethanol blends.

Division. However, producers who are well-capitalized with strong balance sheets and cash reserves will be in the best position to weather the softening market.

The report, “Ethanol’s Growth Path: Output and Export Uncertainties Both Rising,” outlines how an ethanol market fueled by corn prices at multi-year lows, coupled with reinvestment into production capacity, will push supply past demand growth.

“Forecasts indicate that total ethanol production by 2020 will have increased by approximately 850-900 million gallons, compared to 2017 levels,” says

Tanner Ehmke, CoBank senior economist. “Without a substantial increase in domestic demand or exports to clear excess supplies, ethanol producers are facing a downturn over the medium term. Those who have access to multiple transportation markets and have invested in new technology will be leaner and more cost efficient enabling greater flexibility to endure prolonged periods of low prices.”

Domestic demand for gasoline blended with ethanol has been strong over the last 18 months, as low fuel prices resulted in consumers driving more. A second bright spot for ethanol has been continually rising ethanol blend rates at the pump.

To read the full report, visit: www.cobank.com.

Central Valley Ag, Farmway to merge

Farmway Co-op Inc. members voted in June to approve unification with Central Valley Ag (CVA). After a series of 13 information sessions, owners of Farmway approved the merger with CVA by “a super majority of 91 percent,” according to announcement from the co-op. The unified cooperative will retain the Central Valley Ag name and be headquartered in York, Neb., with Carl Dickinson serving as president/CEO.

“Both boards felt strongly that unification would bring additional value to the members of both cooperatives, and the results of the Farmway vote reaffirms this,” says Dave Beckman, CVA board chairman. Initial merger discussions between the cooperatives began in January 2017, with the respective boards meeting in April to unanimously approve an agreement and plan of merger.

“We are confident that, together, we will become an even stronger cooperative for our member-owners with the ability to maintain local farmer-ownership for generations to come,” says Tim Porter, Farmway board chairman.

The new Central Valley Ag, with

locations across Iowa, Nebraska and Kansas, has more than 800 employees dedicated to serving its producer-owners. The cooperative includes agronomy, energy, feed and grain divisions.

Merged co-op now Farmward

Harvest Land Cooperative (HLC) and Co-op Country Farmers Elevator (CCFE) announced Aug. 9 that Farmward Cooperative would be the new name of their merged companies. The name took effect on Sept. 1. The merger of the two cooperatives was approved by the memberships in April.

In a 2016 study of the proposed merger, the co-op boards identified ways in which a merger of the two companies would create value to members, including enhancing, expanding and extending product and service options, market access and risk management tools. “With the merger... we have the opportunity to offer our members new innovations, convenience

and technology in all areas of our business,” says Roger Kettner, HLC chairman.

The name Farmward was formed from two words: Farming and Forward. The name will be bolstered by a tagline: Advancing Farming for Generations.

“In naming the new company, we tried to look beyond the ‘here and now’ to project where we would like to be three to five years down the road,” says HLC CEO Dave Stuk.

“As we look to the future, we understand that the advancement of data and information tools, modern facilities and cutting-edge equipment presents new opportunities for our growers while also adding a lot of pressure,” adds Craig Hebrink, CCFE president/CEO.

Joint venture to build Indiana feed mill

Co-Alliance LLP and Farmers Grain and Feed Co. Inc. have formed a joint venture to build a state-of-the-art feed

mill at the Farmers Grain facility in Columbia City, Ind. The joint venture will allow Co-Alliance to expand its pork presence in the area and will allow Farmers Grain to vertically integrate its grain into feed production, according to a joint announcement.

The new feed mill will combine the swine and animal nutrition expertise of Co-Alliance with the local grain storage and marketing capabilities of Farmers Grain. “Regionally manufactured feed supports farmers on two levels: it gives grain farmers another market for their crop and gives livestock farmers a consistent quality and local source for their feed,” says Kevin Still, CEO of Co-Alliance. “We’re looking forward to working with the Shively family and Farmers Grain on this exciting new venture, which we believe will help farming families in the community for generations.”

“We’re seeking to emulate the success of our mill at Reynolds,” says Dewey Bucher, Co-Alliance vice

Conference to examine key issues facing ag co-ops



“From the Ground Up: Analyzing the 2018 Farm Bill” will be among the featured sessions during the 20th annual Farmer Cooperatives Conference,

Nov. 1-3 in St. Paul, Minn. Congress is preparing the next Farm Bill amidst a farm economy that is struggling with low commodity prices and depressed income. This session will dive deep into how the legislation will impact farmers.

The conference, presented by the University of Wisconsin Center for Cooperatives, provides a forum for cooperative directors, managers and those doing business with ag cooperatives to explore current issues that will shape the future of farmer-owned cooperatives.

Among the other sessions are:

■ **Agricultural Trade Outlook** — will explore the Trump Administration’s direction on trade policy and how proposed tariffs and other trade restrictions could impact farmer cooperatives and their bottom line.

■ **Changing Supply Chains: Succeeding in a Challenging Environment** — will explore supply-chain consolidation and the impact on cooperative strategies, from mega-mergers to the choice to stay small.

■ **Defining Membership: Challenges and Successes** — As succession planning moves farms into trusts, LLCs, etc., how do we define who is the member? This panel will explore the challenges of defining membership and the impact on equity redemption plans, board eligibility and re-structuring.

■ **Governance Case Study: Tennessee Farmers Co-op** — As the agribusiness industry continues to change with more mergers and acquisitions, Tennessee Farmers Cooperative (TFC) proposed a structural change to unify its member co-ops and TFC into one, unified retail cooperative.

For the full agenda, please visit: www.farmercoops.uwcc.wisc.edu. For more information, contact: anne.reynolds@wisc.edu

president of swine and animal nutrition, “This new addition strategically locates our modern feed facilities across northern Indiana, allowing for more partnering opportunities with growers and processors.”

Co-Alliance LLP is a partnership of cooperatives with community roots established in the 1920s. Headquartered in Avon, Ind., its 50 locations across Indiana, Michigan and Ohio provide energy, agronomy, grain marketing, swine and animal nutrition.

Farmers Grain & Feed has six grain elevators in eastern Indiana.

Kettle Lakes Co-op to merge with Country Visions

Kettle Lakes Cooperative, Random Lake, Wis., voted in June to merge with Country Visions Cooperative, a farm supply co-op based in Reedsville, Wis. The vote was approved by 80.7 percent of the Kettle Lakes members voting. The merger became effective Sept. 1.

The co-op will be governed by the nine current Country Visions board members and three from Kettle Lakes. Districts will be established to ensure representation throughout the trade territory. Member equity in the new cooperative will go in at a dollar-for-dollar basis.

Construction has started on a new automated agronomy facility in the Plymouth industrial park to service both cooperatives’ customers. Construction should be completed by early 2018. The newly formed cooperative will maintain a 50-percent ownership in Co-Energy Alliance, an energy joint venture with Adell Cooperative, which provides propane and fuel to customers in the southern part of its trade territory.

Country Visions will maintain 60 percent ownership in CP Feeds, which will offer feed products and services to customers in the southern area currently served by Kettle Lakes. The mill in Random Lake will continue to service feed customers, on a limited basis.

“Investments in facilities, technology and employees will need to be made to continue to provide a high level of service to our ever-changing industry,” says Steve Zutz, Country Visions CEO. “The cooperative will be much better positioned to do so after this merger.”

Country Visions had sales of \$158 million last year, while CP Feeds manufactured and sold more than \$146 million in feed to area farmers. Kettle Lakes had sales of \$40 million last year from its agronomy, grain, feed and retail divisions.

Missouri co-ops build major grain facility

With the opening of a \$25-million grain-handling facility, Missouri farmers are demonstrating their ability to serve foreign markets. A joint venture of MFA Inc. and MFA Oil Co. — both farmer-owned co-ops based in Columbia, Mo. — the new facility east of Hamilton, Mo., represents the largest investment in the 103-year history of MFA Inc.

The facility will house 2 million bushels of permanent grain storage and 1.5 million bushels of temporary storage. It includes a loop rail siding that can accommodate 110-car shuttles. At the height of harvest, the facility can move 60,000 bushels an hour. The shuttle train can hold about 420,000 bushels of corn, or 380,000 bushels of soybeans.

The facility — which will be operated by MFA Inc. — will benefit from resources and expertise of both



This new, \$25 million grain facility was built through a joint venture of the MFA Inc. and MFA Oil cooperatives.

cooperatives and represents a significant investment in local communities. It will create five full-time jobs as well as seasonal jobs during harvest. It will ease harvest-time pressure on other grain-receiving facilities in the region while enabling MFA Inc. to expand its reach into Mexico and other export markets.

“For MFA, this is the culmination of a multi-year process during which we evaluated the needs of our grain system,” says Mitch Dawson, director of grain operations for MFA Inc.

“We identified this facility as a strategic improvement that will help us provide needed service to our owners and customers in a large part of our northern trade territory.”

NORPAC sells canning business to Seneca

NORPAC Foods, a Willamette Valley fruit and vegetable processing co-op owned by about 200 Oregon growers, has sold its canning business to Seneca Foods Corp. The co-op will be closing processing plants in Salem and Hermiston by the end of 2017, according to a report in the *Statesman Journal*.

“In our 93 years as a farmer-owned cooperative, our canning business has been an important part of our history. But over time, it gradually represented a smaller percentage of our overall business,” Shawn Campbell, NORPAC president/CEO, said in announcing the sale. Canning operations accounted for just 6 percent of NORPAC’s overall business at the time of the sale.

NORPAC’s canning and labeling plants in Brooks and Stayton will be redesigned to make room for additional frozen vegetable processing in 2018, according to the *Statesman Journal* article.

Campbell, a veteran of the food processing industry, joined the co-op earlier this year, succeeding George Smith, who retired after leading the co-op for more than a decade and working there for 38 years.

Campbell, who became chief operating in 2016 as part of a strategic succession plan, previously spent more than 10 years at Darigold, most recently serving as senior vice president of consumer products.

Organic Valley butter plant opens in Oregon

Organic Valley in August opened a butter plant in McMinnville, Ore., in a facility formerly owned by Farmers



In addition to opening a new butter plant in Oregon, Organic Valley is also introducing new flavors of yogurt and new whey protein powder drinks. Photo courtesy Organic Valley

Cooperative Creamery, which the organic co-op purchased last year. The plant is the co-op's first brick-and-mortar facility outside Wisconsin, Hans Eisenbeis, director of Organic Valley public relations, told the Capital Press.

The plant has 37 full-time workers who process butter and skim milk powder. The plant could expand in the future to make buttermilk powder and other products. Organic Valley, with more than 2,000 farmer-members and sales of \$1.1 billion in 2016, is the nation's largest cooperative of organic farmers.

In other news, the co-op is launching Organic Fuel Whey Protein Powder, the newest offering in its line of best-selling organic protein drinks. "Organic whey leads the herd as one of the best protein sources, because it's a complete protein with all nine essential amino acids — key for muscle function and growth," says Melinda Hemmelgarn, host of Food Sleuth radio.

The co-op is also adding two new

flavors — black cherry and peach — to its award-winning, 100-percent grass-fed yogurt line.

Sunkist, Fruit Growers Supply consolidate management

Sunkist Growers and Fruit Growers Supply Co. are consolidating their management structure. "Sunkist Growers and Fruit Growers Supply are sister cooperatives that service the same constituencies," Sunkist Board Chairman Gerald Denni says. "A shared management structure will increase efficiencies in both organizations and drive a culture that best serves our membership."

The two companies will remain legally separate entities, but with a shared leadership structure headed by Russ Hanlin as president/CEO of both organizations. Given the different natures of the co-ops' business activities (Sunkist markets citrus fruit while Fruit Growers is a farm supply co-op for the citrus industry), each will have their own chief operating officer to manage day-to-day operations: John Striff at



Cartons for Sunkist citrus are stacked at a Fruit Growers Supply (FGS) plant, awaiting delivery to packinghouses. Photo courtesy FGS

Sunkist and Ted Pajak at Fruit Growers Supply. Legal, finance, information technology, human resources and government affairs services will be shared across the two cooperatives.

In other Sunkist news, Mulholland Citrus, an Orange Cove, Calif.-based grower/shipper of mandarin oranges, is

joining the Sunkist network of packinghouses. Mulholland will begin packing under the Sunkist brand on Nov. 1. It packs about 8 million, 5-pound cartons of mandarins annually.

"Mulholland Citrus has a rich history of growing and shipping exceptional quality citrus," says Hanlin. "We are honored to welcome this industry leader to Sunkist."

Rick Merrill Fund supports co-op development

In 2005, Rick Merrill, NCBA CLUSA president Judy Ziewacz's husband of 35 years, suffered a traumatic brain injury after a fall, leaving him in need of fulltime home care. When he passed away this past June, Ziewacz designated the Cooperative Development Foundation (CDF) as a recipient of contributions made in Merrill's name.

"For the past 12 years, caring, reliable home care provided peace of mind and improved quality of life for both Rick and me," says Ziewacz. She directed funds to CDF because of a national shortage in quality, reliable home care services, especially in rural areas.

While 52 percent of people over age 65 require some form of home health care, many do not have access to the services they need not only because of cost, but also because of a shortage of trained, reliable workers. In the U.S.,

demand for home care over the next 10 years is expected to outpace any other field.

"Our home care experience is the exception, not the rule, in an industry plagued by low wages and high turnover," Ziewacz says. Most home caretakers work in an environment of low wages, limited benefits, poor supervision, demanding workload, inconsistent scheduling and poor training and support. Isolation and limited advancement opportunities result in burn out, high turnover and

inconsistent quality of care (see related article, page 34).

Ziewacz said that without a reliable direct care workforce, seniors and people with disabilities do not get the care they need. Families are forced to give up outside employment to care for loved ones. Forming cooperatives, she said, can help address the problem.

For more information, visit: www.cdf.coop.

Riceland, Riviana building new facility

Riceland Foods, a Stuttgart, Ark.-based rice growers co-op, has announced a venture with Riviana Foods Inc. to build a rice extrusion facility in Jonesboro, Ark. The facility will produce and market high-value rice extruded products for domestic and international markets through their Rivland Partnership.

“This investment is another effort to move our family-farmers’ rice higher up the value-added food chain,” says

Danny Kennedy, president and CEO of Riceland Foods.

“We currently produce and market extruded rice products in Europe, and with that expertise we can jump-start the project through which we will better serve our customers and expand our portfolio of high-quality rice products,” adds Bastiaan G. de Zeeuw, president and CEO of Riviana Foods.

Rice flour and extruded rice products are used in rice noodles, nutrition bars, breakfast cereals and many products looking to replace wheat-based ingredients for the gluten-free market. The new extrusion plant will be a highly automated addition to the current rice flour operation and should create 5 to 10 new jobs.

Flynn to chair Sunsweet Growers

Celebrating its centennial year, Sunsweet has announced that Brendon S. Flynn will succeed Gary S. Thiara as board chairman. The appointment

culminates a formal succession planning process which included Flynn serving as the board’s vice-chair for the past 18 months. He also served 14 years as chairman of the finance committee and has 15 years of total service on the board of Sunsweet, a grower-owned prune cooperative based in Yuba City, Calif.

“The transition comes at an auspicious time,” says Thiara, “given the co-op’s recent, 100-year milestone and multiple years of favorable company performance. With strong management and board leadership in place, the co-op is well positioned to achieve even greater success.”

“I am grateful to Gary, who will continue to serve as a Sunsweet board member,” says Flynn. “Gary became chairman during a tumultuous time and has been the right man, at the right time, to lead the company.”

Bob Amarel, a long-time Sunsweet grower and board member, has been named board vice-chair. ■

Commentary continued from page 2

fishing co-ops own port facilities where they maintain their boats. Some cooperative communities maintain their own roads and grounds, including some home owner associations and manufactured housing parks.

This can work where the users are also the owners and the scale of the investment is local. Some rural infrastructure, however, is too extensive in scale for only cooperative investment to be adequate. In these circumstances, public partnerships with private cooperative associations can be an effective means for developing and maintaining such infrastructure.

This has been the case in America, with rural electric co-ops going back to the 1930s, when federal loans and grants provided the seed funding for co-ops serving rural households. In recent years, some rural utility co-ops have become increasingly involved with efforts to deliver broadband internet to their user-owners.

Two transportation consultants — Chris Swenson and David Ungemah, writing in the infrastructure journal *EFR* —

described this situation: “The public can be distrustful of providing additional revenues to an agency at any level of government due to the real or perceived potential of using transportation dollars for other government purposes. Whether warranted or not, there is often a significant theme of distrust for providing additional funding sources to government agencies...”

“Private entity ownership is often perceived as placing its profits above the public good,” Swenson and Ungemah continue. “A private, nonprofit ownership entity may be needed. Transportation has often been referred to as a type of public utility. As such, a utility cooperative may be the appropriate business model.”

They go on to compare the cooperative option with other models of infrastructure finance and call for pilot projects involving cooperatively owned transportation infrastructure. They conclude: “One thing, however, is certain: the mechanisms for transportation infrastructure development, funding and operations are all evolving. During this evolution, ownership structures will also need to evolve.”

Cooperatives are an established business model that have a long and successful history developing and maintaining infrastructure in rural America. They will likely play a significant role in the future provision of such infrastructure. ■

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Federal Statutes of Special Importance to Farmer Cooperatives

CIR 66

Keeping abreast of federal laws that impact farmer cooperatives is essential for co-op managers and board members. This report includes laws that govern payment and reporting of patronage dividends, treatment of taxable income, the Agricultural Marketing Act and many other laws that may impact your co-op.

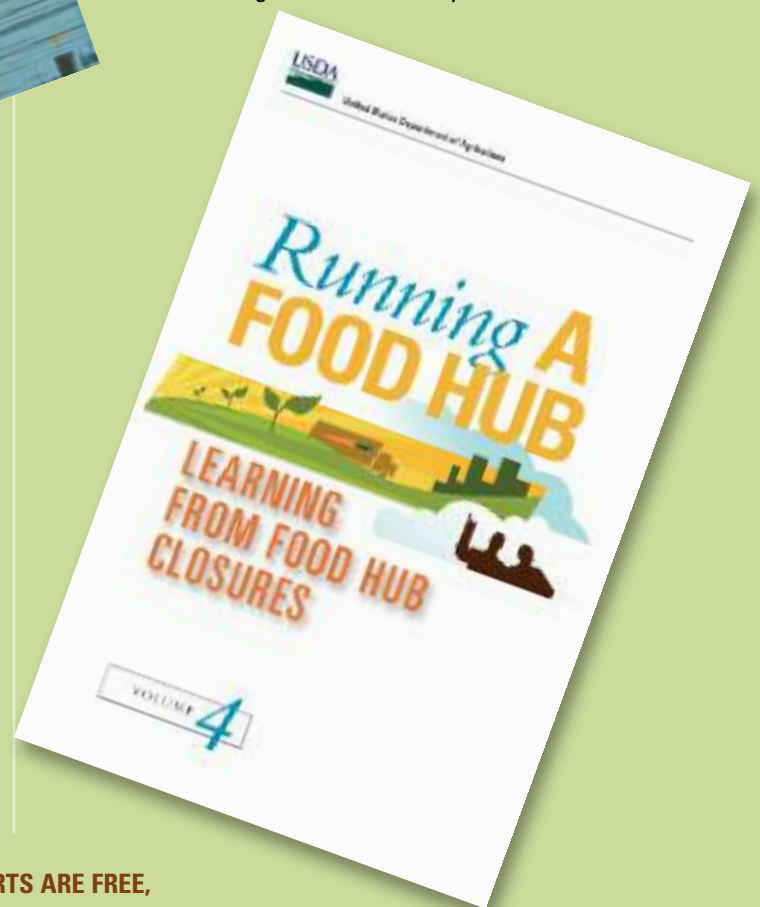
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Service Report 77, Part 4

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