

Rural COOPERATIVES

September / October 2013

Business
blooming for
new crop of
co-ops



CO-OP MONTH SPECIAL
SECTION / page 18

Commentary

Co-ops have a role in farmland preservation

By Bob Wagner,
Senior Policy and Program Advisor
American Farmland Trust



“No matter how big our economy grows, no matter how technology advances, no matter how global our society, we need people to till the land, produce our food, harvest timber, produce our paper and conserve our most basic and precious resource: Wisconsin’s productive working lands.” Those words were penned in 2006 by co-op champion Rod Nilsestuen, now deceased, but at the time secretary of the Wisconsin Department of Agriculture, Trade and Consumer Protection.

Nilsestuen thus set in motion a comprehensive effort to overhaul and expand Wisconsin’s commitment to preserving and conserving the state’s farmland under the Wisconsin Working Lands Initiative. As he crisscrossed the state promoting the initiative, Nilsestuen would often note that Wisconsin’s agriculture industry contributed more than \$50 billion to the gross state product while 30,000 acres of farmland were being lost each year to development and fragmentation (land parcels too small to farm and too large to mow).

With then-population growth projections of more than 1 million additional people in the state by 2030, he could see that accommodating this new growth with the same old land-use patterns was unsustainable and that the state’s agriculture industry, landscape and environment would suffer.

Co-op commitment to the land, sustainable communities

As founder of Cooperative Development Services, longtime head of the Wisconsin Federation of Cooperatives and a member of the National Cooperative Hall of Fame, Nilsestuen’s vision to connect the future economic health of the agricultural industry in Wisconsin to the health and well-being of its soils reflected his commitment to the cooperative principle of sustainable community development. Spurred by

his leadership and the clear synergy between the environment and the economy, the Working Lands Initiative, not surprisingly, benefited from the support and participation of cooperative entities and their members across the state.

Adopted in 2009, the Working Lands Initiative combined reforms to the state’s existing farmland preservation planning and zoning programs with new opportunities to promote farming enterprises and activities through the establishment of Agricultural Enterprise Areas and to preserve farmland with a state-funded agricultural conservation easement purchase program.

Cooperative Resources International, Cooperative Network, Wisconsin Farmers Union, CHS Inc., CHS Foundation and Organic Valley were among the broad coalition of farmers, farm organizations, community leaders, land trusts and conservation organizations that came together to support the initiative.

American Farmland Trust (AFT) was honored to be a partner with Secretary Nilsestuen and the cooperatives in framing a new relationship between land protection, conservation and farm viability in Wisconsin. As the national, nonprofit organization dedicated to reversing and stopping the loss of our nation’s agricultural lands to non-farm

development, AFT appreciated the recognition by cooperatives of the impacts of farmland loss on their members and businesses, and the opportunity to work with them on an issue of mutual concern.

The package of policies and programs pursued in Wisconsin was pragmatic, respectful of local decision-making, sensitive to property rights and, above all, designed to promote farm viability and stability — a true complement to the missions and objectives of cooperatives.

Preservation issues national in scope

The issues facing farmers and farmland that inspired cooperatives to join Secretary Nilsestuen to act are by no means unique to Wisconsin. According to the USDA’s National Resources Inventory, the United States lost



Rod Nilsestuen

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Features

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8 Top 100 ag co-ops set sales, income records

By Sarah Ali and David Chesnick

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ON THE COVER: Kim Krajccek Millikin, wrapping bundles of lilacs, is sales manager for Z Callas/Oregon Coastal Flowers, one of the founding members of the Seattle Wholesale Growers Market, a farmer-owned floral cooperative. See the Co-op Month special section, beginning on page 18, for more on this and other new cooperatives around the nation. Photo by David E. Perry





Grain, farm supply sectors lead way as ag co-ops set sales, income records

Against the backdrop of United Cooperative's South Beaver Dam grain and agronomy facility, one of the co-op's applicators works on a member's field near Beaver Dam, Wis. Photo by David Lundquist, courtesy CHS and United Cooperative



U.S. Farmer, rancher and fishery cooperatives set new records for sales, income and assets in 2012, buoyed by strong prices for grain, farm supplies and many other ag commodities. Sales by agricultural co-ops of nearly \$235 billion surpassed the previous record, set in 2011, by \$18 billion, an 8.3-percent gain. Net (pre-tax) income of \$6.1 billion was up nearly 13 percent over the \$5.4 billion recorded in 2011.

“Agricultural cooperatives are a driving force in the nation’s thriving farm economy, and because they are farmer owned and operated

businesses, the sales dollars and income generated are much more likely to be returned and spent in rural areas and communities,” says U.S. Agriculture Secretary Tom Vilsack. “Ag cooperatives are also vital to the rural economy because they support 185,000 full- and part-time jobs and are often the major employer in many rural towns.”

Net assets owned by farm co-ops — including everything from grain elevators and farm supply stores to major food and beverage processing plants — also showed a dramatic increase in 2012, rising to \$82.9 billion, up 4.4 percent from \$79.4 billion in 2011 (Table 1). Co-ops range in size from a small handful of farmers or fishermen who join forces to market their crops and catch, to federated cooperatives (a cooperative for cooperatives) with many thousands of members.

USDA’s annual survey of the nation’s 2,238 agricultural and fishery cooperatives shows that grain and oilseed sales by co-ops increased more than \$7 billion last year, more than offsetting a drop of \$500 million in dairy products marketed (Table 2). Bean and pea, fruit and vegetable, nut, poultry and sugar sales all increased at least 3 percent over 2011 levels.

Sales by cotton, fish and tobacco co-ops all registered double-digit declines in 2012.

Farm and ranch supply sales were up by \$7 billion, primarily due to rising energy prices. Widespread drought also increased feed ingredient prices. Fertilizer, feed and petroleum sales by co-ops all increased by at least \$1 billion.

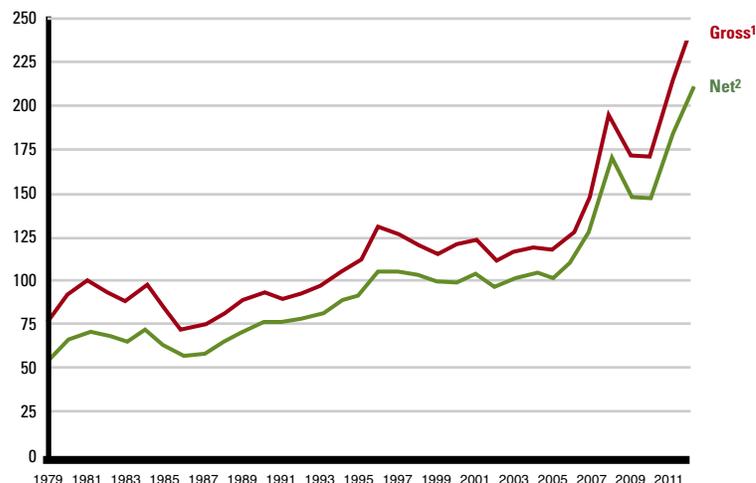
While 31 cooperatives recorded more than \$1 billion in sales, almost 34 percent of ag cooperatives (749) had less than \$5 million in sales (Figure 2).

The overall farm economy saw sales increase by at least 4 percent for feed grains, oilseeds, fruits and nuts, tobacco, livestock, and poultry and eggs. Sales declined at least 5 percent

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Figure 1 — Cooperatives’ Gross and Net Business Volumes, 1979 –2012

Billion dollars



¹ Includes inter-cooperative business.
² Excludes inter-cooperative business.

**Table 1
U.S. cooperatives, comparison of 2012 and 2011**

Item	2012	2011	Change Percent
	Number		
Sales (Gross, Billion \$)			
Marketing	138.1	131.0	5.42
Farm supplies	91.9	81.4	12.95
Service	4.7	4.4	6.38
Total	234.8	216.8	8.27
Balance sheet (Billion \$)			
Assets	82.9	79.4	4.43
Liabilities	53.0	51.3	3.30
Equity	30.0	28.2	6.50
Liabilities and net worth	82.9	79.4	4.43
Income Statement (Billion \$)			
Sales (Gross)	234.8	216.8	8.27
Patronage income	0.9	0.6	46.56
Net income before taxes	6.1	5.4	12.89
Employees (Thousand)			
Full-time	129.2	130.8	-1.25
Part-time, seasonal	56.0	52.8	6.20
Total	185.2	183.6	0.89
Membership (Million)	2.1	2.3	-7.39
Cooperatives (Number)	2,238	2,299	-2.65

Co-ops & Community

DFA Cares Foundation expands co-op's community focus



Editor's note: This article is provided courtesy Dairy Farmers of America. The "Co-ops & Community" page spotlights co-op efforts that fulfill the mission of commitment to community. If you know of a co-op, a co-op member or co-op employee whose efforts deserve to be recognized on this page, please contact: dan.campbell@wdc.usda.gov.



Dairy Farmers of America (DFA) recognizes the power of bringing people together. Through its nonprofit DFA Cares Foundation, the cooperative demonstrates its commitment to community, a core co-op value that members and employees strive to fulfill every day.

The DFA Cares Foundation has operated since 2005 to assist DFA members and others in the communities DFA serves. Initially created in response to Hurricane Katrina to provide disaster relief, the foundation has since expanded to

encompass all of the cooperative's giving initiatives.

Through the DFA Cares Foundation, members and staff have come together to create neighborhood gardens, provide disaster relief to the agricultural community, advocate for nutrition policy, partner with food banks and invest in the future of the dairy industry with scholarships to students pursuing careers in dairy.

The foundation also offers services to its members in times need, including: The DFA Cares Hotline, which offers referrals for financial and legal guidance; the Member Assistance Program, which offers professional

The DFA Cares Foundation has been active since 2005, helping to support numerous community projects, such as turning out nearly 300 co-op members and employees to build 50 bikes for the Boys and Girls Club of St. Louis, Mo. Photo courtesy Dairy Farmers of America



resources in a variety of areas; and financial assistance in the aftermath of natural disasters, among other services.

“With our plants and regional offices, DFA has a presence in communities throughout the country,” says Kristi Dale, the co-op’s director of public affairs. “Through the DFA Cares Foundation, we are able to make tangible contributions to improve people’s lives in the areas where we work and live.”

Fighting hunger

One of the largest DFA Cares Foundation events is an annual fight against hunger. In partnership with

Feeding America, DFA celebrates June Dairy Month with food drives and volunteer events at food banks throughout the country. Each year, the effort results in more than 100,000 meals for those in need.

This year, the cooperative’s fight against hunger was especially meaningful, as volunteer and fundraising efforts helped answer the needs of those affected by tornadoes in Moore, Okla.

“As a farmer-owned cooperative, we understand the impact severe weather can have, especially on agricultural communities,” Dale says. “When tragedy strikes, food is directed where it

is needed most. But that may leave food banks elsewhere in even greater need. That’s an opportunity for staff at our DFA plants and offices across the country to help fill a void.”

Other special projects and events benefit various charities throughout the year. At the annual Team Development Conference, DFA staff and members participate in a community volunteer event. Last year, with the help of The Leader’s Institute, 50 bikes were built and handed out to children in the Boys and Girls Club of St. Louis, Mo.

Previous events have included work for a youth development program in Baltimore, Md., and creating community gardens in New Orleans, La. In addition, DFA Cares service projects have become a staple during the cooperative’s annual board strategy retreat, which includes a dedicated program for DFA’s farmer leader and management spouses.

Last year, a group dedicated an afternoon to sorting, packaging and preparing donated goods to be shipped to various parts of the world.

In August, nearly 60 DFA volunteers assembled 2,000 lunch bags filled with nutritious, non-perishable foods for the Roadrunner Food Bank of New Mexico’s mobile food pantry. The volunteers were in the area for the Cooperative’s annual July Board Meeting and Strategic Information Conference.

“During the past several years, we’ve put an increasing focus on helping others through the DFA Cares Foundation,” Dale says. “Our cooperative spans a wide geographic area, but service like this helps ensure that we’re continually doing more to deliver on our core value of community.” ■

Top 100 ag co-ops set sales, income records

By Sarah Ali and David Chesnick

Agricultural Economists

Cooperative Programs

USDA Rural Development



The nation's 100 largest agricultural cooperatives reported record sales revenue of \$162 billion in 2012, an increase of almost 9 percent over 2011, when revenue totaled \$148 billion (table 1). Net income for the 100 top co-ops also set a new record in 2012, reaching \$3.5 billion, up from \$3.1 billion in 2011. The previous records for sales and income were set in 2011.

Iowa is home to 16 of the top 100 ag co-ops, the most of any state. It is followed by Minnesota with 13, Nebraska with 9, Wisconsin with 5, and California with 4 top 100 ag co-ops.

Farm supply and grain sales showed some of the largest gains for the year, the latter due to higher grain prices resulting from widespread drought in 2012. Dairy, fruit and vegetable, and mixed (co-ops that sell grain and farm supplies) co-ops saw sales decline in 2012. Higher corn and soybean prices contributed to higher input prices for animal feed.

The Top 100 co-op sales represent about 68.9 percent of the \$235 billion in sales made by all agricultural co-ops in 2012 (see related article, page 4).

Kansas co-op makes biggest jump

Farmway Co-op Inc., a grain co-op based in Beloit, Kan., made the largest



upward jump on the Top 100, rising from 114 in 2011 to 62 on the 2012 list. The next biggest “gainer” was West Central Cooperative, Ralston, Iowa, a mixed co-op that handles grain and farm supplies, which climbed from 69 to 41 in 2012. As a sector, the biggest upward jumps on the list were made by grain and mixed co-ops, due largely to high grain prices as a result of the drought.

CHS Inc. in Saint Paul, Minn. — an energy, farm supply, grain and food co-op — was once again the nation’s largest ag co-op, with \$40.6 billion in revenue in 2012. It was followed by Land O’ Lakes Inc., also based in St. Paul, with sales of \$14.1 billion, while Dairy Farmers of America, Kansas City, Mo., ranked third with \$11.9 billion in revenue.

Cost of goods sold by the Top 100 ag co-ops was up 9 percent in 2012, mirroring the increase in total sales. With marketing cooperatives — such as dairy, fruit and vegetables, cotton, sugar and grain co-ops — the cost of goods sold usually represent payments to members for their product.

Gross margins increased by 10

percent, to \$13 billion in 2012. However, gross margins as a percent of total sales remained fairly steady at 8 percent for both 2011 and 2012.

Service revenues were up 3 percent, to \$1.5 billion in 2012, with mixed grain/supply co-ops accounting for nearly half of that increase.

Interest costs add to higher expenses

Total expenses for the top 100 ag co-ops increased by 6 percent from 2011 to 2012. The largest cost increase was interest expenses, which increased by \$300 million in 2012, to \$3.8 billion. Labor expenses also increased \$200 million from 2011, totaling \$5.2 billion in 2012.

Nearly every cooperative type had to deal with higher expenses in 2012. The only exception was the “other” category (those cooperatives that do not fit in the other classification sectors used by USDA for this report). Again, mixed grain/farm supply cooperatives accounted for nearly half of the total increase.

The top 100 ag co-ops paid \$336 million in income taxes in 2012, \$137

million more than in 2011.

Net margins climb

Net margins increased by more than 13 percent (\$429 million) in 2012. Most of the increase came within the mixed grain/farm supply and farm supply co-op sectors. Dairy and fruit/vegetable co-ops had lower net margins compared to 2011.

The asset base for the top 100 grew by \$3.5 billion between 2011 and 2012, with a total of \$53.4 billion in total assets in 2012 (table 2). Nearly half of the increase was from mixed grain/farm supply cooperatives.

The largest 100 co-ops ended 2012 with \$34.5 billion in current assets, up 4 percent from 2011. Mixed grain/farm supply co-ops, which include some of the largest farmer co-ops, accounted for more than 50 percent of the total amount of current assets. Fixed assets also showed an increase of \$1.2 billion, pushing the total asset value for the top 100 co-ops to \$12 billion.

Current liabilities increased by \$874 million for the largest 100 ag co-ops. At the end of 2012, total current liabilities for these co-ops was almost \$25 billion. Total liabilities increased by \$2.2 billion, ending the year at \$36.2 billion. Equity allocated to members jumped 11 percent in 2012, to \$12.3 billion. Retained earnings also showed an increase of 2 percent, ending the year at \$4.8 billion.

Financial measures show little change

Table 3 provides the combined financial ratios for the largest 100 ag co-ops. These ratios are the average values for all 100 co-ops and provide a more accurate reflection on the performance of the co-ops, without being skewed by the largest of the group. For example, the largest five co-ops represent 50 percent of total business volume. Therefore, they will have more influence on the combined values in table 1 and 2.

Figure 1 — Total Business Volume, Top 100 Ag Co-ops

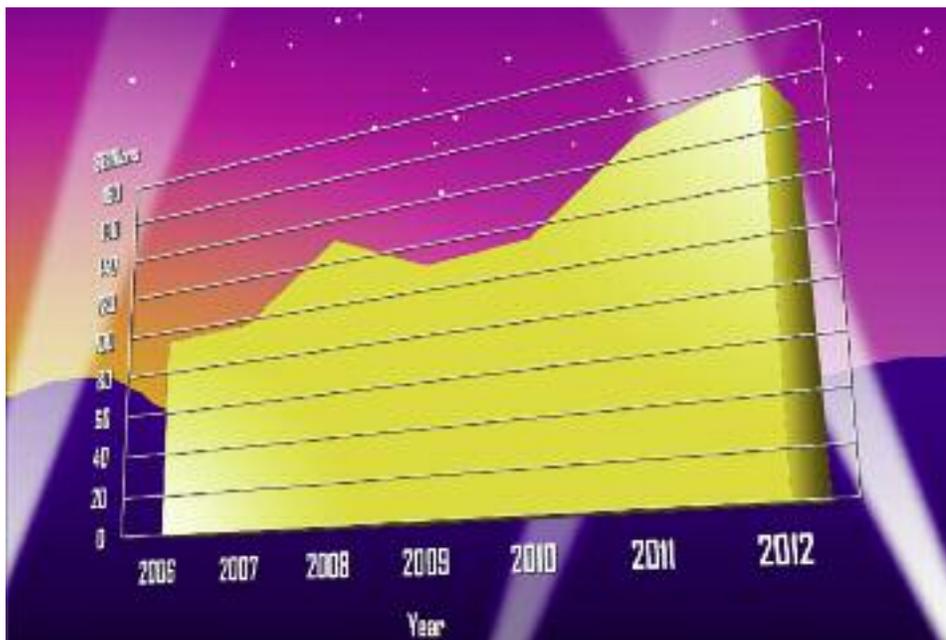


Figure 2 — Net Income Top 100 Ag Co-ops

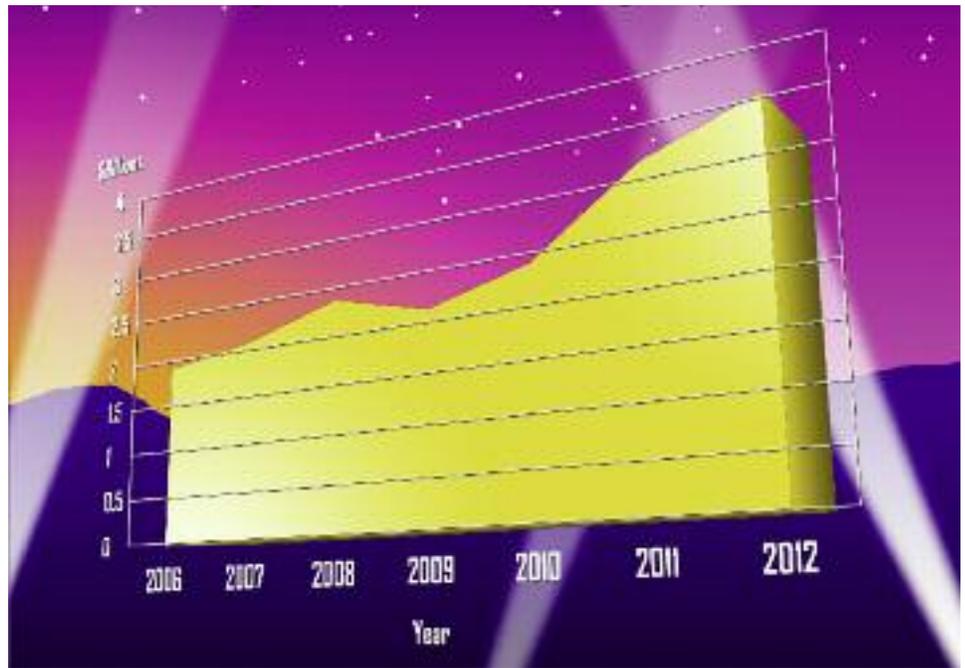


Figure 3 — Sales Revenue of Cooperatives By Function for Top 100, 2012

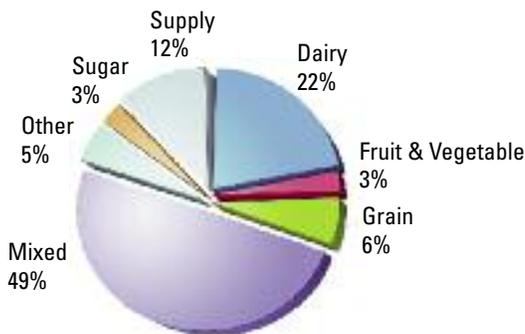
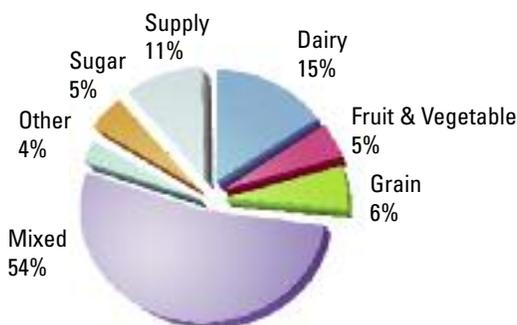


Figure 4 — Assets of Cooperatives By Function for Top 100, 2012



The debt-to-asset ratio illustrates what percentage of business assets are financed by debt. The ratio did not change for 2012, remaining at the 2011 level of 0.68. Of all of the cooperative types, only the fruit/vegetable co-op sector had a lower debt-to-asset ratio than in 2011. Overall, the top 100 ag co-ops used more debt in 2012. However, some types — such as grain and farm supply co-ops — used relatively more short-term debt to finance operations while dairy, mixed grain/supply and sugar co-ops relied more on long-term debt for financing. As indicated above, fruit/vegetable co-ops were the only type to lower the amount of debt used.

The current ratio provides a view on how well the liquid assets of a business cover its current liabilities. Between 2011 and 2012, the current ratio increased slightly, from 1.36 to 1.38. This would indicate that a majority of the co-ops were more liquid in 2012 than in 2011.

Long-term debt and equity are generally used to finance a business' long-term assets. The long-term debt-to-equity ratio focuses on this long-term financing. The ratio jumped from 0.62 in 2011 to 0.65 in 2012. The higher long-term debt financing was caused mostly by the dairy, mixed grain/farm supply and sugar co-op sectors.

The times-interest-earned ratio shows how much a business can cover its interest expense on a pre-tax basis. The higher the ratio the better, as a low value could indicate trouble paying obligations. In 2012, the ratio was 6.89, a slight decrease from 2011's value of 6.93.

As a general rule, those co-ops with high amounts of fixed capital — such as processing co-ops — will have a lower fixed-asset-turnover ratio than some of those that provide mostly marketing services.

Profitability ratios show slight improvements

Profitability ratios are important for any business; an unprofitable business will obviously not survive very long. However, co-ops are in a unique position in that they try to operate as close to cost as possible. For example, gross margins will usually be somewhat lower than a non-cooperative business of the same industry.

Between 2011 and 2012, co-op gross profit margins increased slightly, from 7.9 to 8 percent, while net operating margins held steady at 2 percent during the two years. There was not much change among the co-op types for either of these two ratios.

Return on total assets measures business earnings before interest and taxes against its total net assets. The average return on total assets for the top 100 ag co-ops slightly increased between 2011 and 2012, from 7.8 percent to 8.5 percent.

Return on members' equity measures net earnings after taxes against total equity. This examines the returns to members. In 2012, the return on members' equity was 29.1 percent. This is up slightly from 2011 when it was at 28.4 percent.

Ranking of top 100 co-ops

Table 5 lists the rank, name, revenue and assets for the nation's 100 largest agricultural co-ops. These co-ops have been identified by type as defined in table 4. The co-op types (and the number of cooperatives in each) are: farm supply (8); mixed farm supply and grain (32); grain (15); dairy (22); sugar (7); fruit and vegetable (7); and other marketing (9).

Historical comparison

Comparing total gross business volume of the top 100 co-ops from 2006 to 2012 shows that there was a peak in 2008, then declining in 2009 and 2010 before hitting new highs again in 2011 and 2012 (figure 1). Total business volume increased by almost 9 percent between 2011 and 2012. (*Editor's*

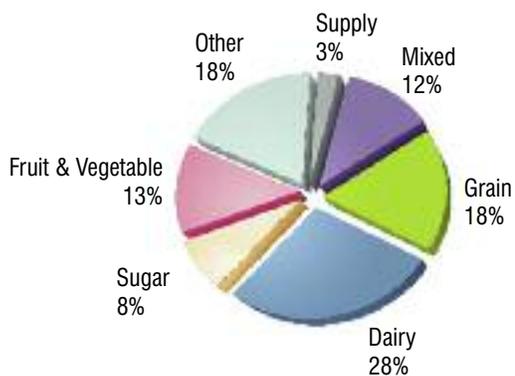
Table 1
Top 100 Ag Co-ops Combined Operating Statement

	2012	2011	Difference	Change
 \$ billions			Percent
Total Sales	162.095	148.676	13.419	9.0%
Cost of Goods Sold	148.987	136.817	12.170	8.9%
Gross Margins	13.108	11.859	1.249	10.5%
Service Revenue	1.519	1.472	0.047	3.2%
Wages	5.256	5.027	0.229	4.6%
Depreciation	1.289	1.220	0.069	5.6%
Interest Expense	0.665	0.565	0.100	17.7%
Other Expense	3.884	3.595	0.289	8.0%
Total Expenses	11.094	10.406	0.687	6.6%
Net Operating Margins	3.534	2.925	0.609	20.8%
Patronage Funds Received	0.297	0.192	0.105	54.4%
Non-Operating Revenue/ Expenses	0.086	0.232	-0.146	-63.0%
Net Margins Before Taxes	3.916	3.349	0.567	16.9%
Taxes	0.336	0.198	0.137	69.3%
Net Margins	3.580	3.151	0.430	13.6%

Table 2
Top 100 Ag Co-op Combined Balance Sheet

	2012	2011	Difference	Change
 \$ billions			Percent
Current Assets	34.522	33.028	1.494	4.5%
Investments in Other Co-ops	1.868	1.613	0.255	15.8%
Property, Plant, & Equipment	11.838	10.617	1.220	11.5%
Other Assets	5.215	4.607	0.609	13.2%
Total Assets	53.443	49.865	3.578	7.2%
Current Liabilities	25.100	24.226	0.874	3.6%
Long-Term Liabilities	11.197	9.811	1.386	14.1%
Total Liabilities	36.297	34.037	2.260	6.6%
Allocated Equity	12.289	11.067	1.222	11.0%
Retained Earnings	4.857	4.761	0.096	2.0%
Total Equity	17.146	15.828	1.318	8.3%
Total Liabilities and Equity	53.443	49.865	3.578	7.2%

Figure 5 — Distribution of Cooperatives by Function for Top 100, 2003



note: when making comparisons of data over a five-year period, it should be noted that the makeup of the top 100 changes between the various years.)

Net income hit a new peak in 2008, dipped in 2009 (figure 2) and then surged in 2011 and 2012, reaching a record high of \$3.5 billion in 2012. Net income (after taxes) grew by 13.6 percent, or \$430 million, between 2011 and 2012. The value of crop and livestock production had a major impact on the increase in net income during 2012. Patronage income (income from other co-ops) increased by \$105 million (or 54.4 percent) in 2012.

Figure 3 shows that mixed grain and supply cooperatives account for 49 percent of the revenue of the top 100 while comprising only 32 percent of the number of cooperatives on the list (the largest group). The mixed grain and supply group also accounted for 54 percent of the assets of the top 100 ag-co-ops (figure 4).

Dairy (representing 22 of the top 100 co-ops) accounted for 22 percent of the revenue, and 15 percent of the assets. Last year's figures were 13 percent and 16 percent, respectively.

Changes in the size of the type groups between 2003 and 2012 are shown in figure 5. Dairy co-ops were the most numerous (28 percent) in 2003, while mixed co-ops were most numerous (32 percent) in 2012.

**Table 3
Combined Average Ratios, Top 100 Ag Co-ps**

	2012	2011
Current Ratio	1.38	1.36
Debt To Assets	0.68	0.68
Long-Term Debt-To-Equity	0.65	0.62
Times Interest Earned	6.89	6.93
Fixed Asset Turnover	13.69	14.00
Gross Profit Margin	8.09%	7.98%
Net Operating Margin	2.21%	2.12%
Return On Total Assets	8.57%	7.85%
Return On Member Equity	29.14%	28.47%

**Table 4
Criteria used for sorting co-ops by segment**

Type of cooperative	Cooperative defined
Supply	Derive at least 75% of their total revenue from farm supply sales.
Mixed	Derive between 25% and 75% of total revenue from farm supply sales; remainder from marketing.
Grain	Derive at least 75% of total revenue from grain marketing.
Dairy	Market members' raw milk; some also manufacture products such as cheese and ice cream.
Sugar	Refine sugar beets and cane into sugar; market sugar and related by-products.
Fruit and Vegetable	Generally further process and market fruits or vegetables, rather than marketing raw products.
Other	Includes co-ops that market livestock, rice, cotton and nuts.

Table 5—Top 100 Agriculture Cooperatives

Note: Names withheld by request for the cooperatives ranked 43, 51, 69, 83, 90.

2012 RANK	2011 RANK	NAME	TYPE	2012 REVENUE	2011 REVENUE	2012 ASSETS	2011 ASSETS
<i>\$ Billion</i>							
1	1	CHS Inc. Saint Paul, MN	Mixed (Energy, Supply, Food, Grain)	40.624	36.936	13.423	12.217
2	3	Land O'Lakes, Inc. Saint Paul, MN	Mixed (Supply, Dairy, Food)	14.138	13.079	6.357	5.438
3	2	Dairy Farmers of America Kansas City, MO	Dairy	11.917	12.924	2.860	2.295
4	4	GROWMARK, Inc. Bloomington, IL	Supply	10.150	8.742	2.763	2.631
5	5	Ag Processing Inc. Omaha, NE	Mixed (Supply, Grain)	4.937	4.372	1.395	1.332
6	6	California Dairies, Inc. Artesia, CA	Dairy	3.241	3.651	0.812	0.809
7	8	Northwest Dairy Association Seattle, WA	Dairy	2.465	2.071	0.548	0.579
8	10	United Suppliers, Inc. Eldora, IA	Supply	2.375	1.949	0.942	0.887
9	7	Southern States Cooperative Inc. Richmond, VA	Supply	2.294	2.075	0.517	0.545
10	18	South Dakota Wheat Growers Assn. Aberdeen, SD	Grain	1.829	1.376	0.679	0.584
11	9	Associated Milk Producers, Inc. New Ulm, MN	Dairy	1.776	1.979	0.312	0.324
12	15	Countrymark Cooperative Holding Corp. Indianapolis, IN	Supply	1.737	1.566	0.670	0.551
13	13	Ocean Spray Cranberries Inc. Lakeville-Middleboro, MA	Fruit & Vegetable	1.673	1.566	1.363	0.555
14	14	Prairie Farms Dairy Inc. Carlinville, IL	Dairy	1.660	1.612	0.726	0.715
15	12	Foremost Farms USA, Cooperative Baraboo, WI	Dairy	1.639	1.664	0.423	0.466
16	21	Dairylea Cooperative Inc. Syracuse, NY	Dairy	1.588	1.336	0.186	0.181
17	19	MFA Incorporated Columbia, MO	Mixed (Supply, Grain, Livestock)	1.483	1.366	0.506	0.408
18	16	American Crystal Sugar Company Moorhead, MN	Sugar	1.479	1.544	0.899	0.878
19	27	Innovative Ag Services Co. Monticello, IA	Grain	1.435	1.028	0.329	0.250
20	23	Farmers Cooperative Company Ames, IA	Mixed (Grain, Supply)	1.329	1.243	0.416	0.546

Table 5—Top 100 Largest Agriculture Cooperatives

2012 RANK	2011 RANK	NAME	TYPE	2012 REVENUE	2011 REVENUE	2012 ASSETS	2011 ASSETS
<i>\$ Billion</i>							
21	22	MFA Oil Company Columbia, MO	Supply	1.310	1.307	0.386	0.381
22	20	Maryland & Virginia Milk Producers Coop Assoc., Reston, VA	Dairy	1.298	1.356	0.163	0.159
23	30	Heartland Co-op West Des Moines, IA	Grain	1.284	0.962	0.350	0.483
24	29	Staple Cotton Cooperative Assn. Greenwood, MS	Other (Cotton)	1.258	0.963	0.251	0.354
25	24	Producers Livestock Marketing Assn. Omaha, NE	Other (Livestock)	1.199	1.153	0.131	0.115
26	26	Co-Alliance, LLP Avon, IN	Mixed (Supply, Grain)	1.112	1.042	0.378	0.382
27	25	Riceland Foods Inc. Stuttgart, AR	Other (Rice)	1.108	1.109	0.613	0.574
28	32	Aurora Cooperative Elevator Company Aurora, NE	Mixed (Grain, Supply)	1.061	0.892	0.453	0.427
29	17	United Producers Inc. Columbus, OH	Other (Livestock)	1.016	1.473	0.036	0.040
30	38	Blue Diamond Growers Sacramento, CA	Other (Nut)	1.007	0.828	0.310	0.297
31	28	Sunkist Growers Inc. Sherman Oaks, CA	Fruit & Vegetable	1.004	1.019	0.168	0.183
32	43	Farmers Cooperative Dorchester, NE	Mixed (Grain, Supply)	0.946	0.716	0.240	0.265
33	35	Snake River Sugar Company Boise, ID	Sugar	0.936	0.876	0.826	0.699
34	34	Lone Star Milk Producers Windthorst, TX	Dairy	0.896	0.879	0.100	0.097
35	31	Agri-Mark Inc. Lawrence, MA	Dairy	0.884	0.899	0.319	0.316
36	42	Cooperative Regions of Organic Producer Pools (CROPP/ Organic Valley), La Farge, WI	Dairy	0.858	0.716	0.216	0.180
37	36	Michigan Milk Producers Assn. Novi, MI	Dairy	0.854	0.871	0.168	0.167
38	48	NEW Cooperative Inc. Fort Dodge, IA	Grain	0.840	0.637	0.271	0.257
39	33	Select Milk Producers Inc. Artesia, NM	Dairy	0.839	0.888	0.110	0.107
40	41	Tennessee Farmers Cooperative La Vergne, TN	Supply	0.827	0.726	0.278	0.278

Table 5—Top 100 Largest Agriculture Cooperatives

2012 RANK	2011 RANK	NAME	TYPE	2012 REVENUE	2011 REVENUE	2012 ASSETS	2011 ASSETS
<i>\$ Billion</i>							
41	69	West Central Cooperative Ralston, IA	Mixed (Grain, Supply)	0.813	0.445	0.361	0.381
42	11	Plains Cotton Cooperative Assn Lubbock, TX	Other (Cotton)	0.803	1.843	0.185	0.265
43		Name withheld by request.					
44	37	United Dairymen of Arizona Tempe, AZ	Dairy	0.785	0.830	0.130	0.131
45	44	Trupointe Cooperative Piqua, OH	Mixed (Supply, Grain)	0.766	0.713	0.221	0.229
46	46	Central Valley Ag Cooperative O'Neill, NE	Mixed (Grain, Supply)	0.748	0.672	0.259	0.251
47	58	North Central Farmers Elevator Ipswich, SD	Mixed (Grain, Supply)	0.725	0.529	0.252	0.201
48	73	Frenchman Valley Farmers Cooperative Inc., Imperial, NE	Mixed (Grain, Supply)	0.723	0.432	0.223	0.287
49	39	Upstate Niagara Cooperative, Inc. Buffalo, NY	Dairy	0.719	0.772	0.251	0.217
50	49	United Farmers Cooperative York, NE	Grain	0.716	0.633	0.227	0.213
51		Name withheld by request.					
52	63	United Sugars Corporation Bloomington, MN	Sugar	0.674	0.481	0.039	0.037
53	47	National Grape Cooperative Assn Inc. Westfield, NY	Fruit & Vegetable	0.657	0.640	0.376	0.362
54	57	United Cooperative Beaver Dam, WI	Mixed (Supply, Grain)	0.653	0.546	0.440	0.365
55	52	Heritage Cooperative, Inc. West Mansfield, OH	Grain	0.637	0.583	0.150	0.170
56	50	Citrus World Inc. (Florida Natural Growers), Lake Wales, FL	Fruit & Vegetable	0.626	0.615	0.333	0.313
57	67	Farmers Grain Terminal Inc. Greenville, MS	Grain	0.620	0.473	0.172	0.174
58	53	Sunrise Cooperative Inc. Fremont, OH	Mixed (Grain, Supply)	0.616	0.577	0.253	0.224
59	55	Watonswan Farm Service Company Truman, MN	Mixed (Grain, Supply)	0.612	0.555	0.222	0.195
60	51	Equity Cooperative Livestock Sales Assn Baraboo, WI	Other (Livestock)	0.605	0.591	0.031	0.033

Table 5—Top 100 Largest Agriculture Cooperatives

2012 RANK	2011 RANK	NAME	TYPE	2012 REVENUE	2011 REVENUE	2012 ASSETS	2011 REVENUE
<i>\$ Billion</i>							
61	56	Michigan Sugar Company Bay City, MI	Sugar	0.595	0.549	0.267	0.256
62	114	Farmway Co-op Inc. Beloit, KS	Grain	0.587	0.305	0.202	0.285
63	62	Landmark Services Cooperative Cottage Grove, WI	Mixed (Supply, Grain)	0.575	0.500	0.217	0.166
64	66	Key Cooperative Roland, IA	Mixed (Grain, Supply)	0.570	0.474	0.137	0.116
65	93	Ag Valley Cooperative Non-Stock Edison, NE	Mixed (Grain, Supply)	0.549	0.369	0.169	0.237
66	54	NFO Inc. Ames, IA	Dairy	0.541	0.568	0.028	0.035
67	75	River Valley Cooperative Eldridge, IA	Mixed (Grain, Supply)	0.541	0.424	0.133	0.155
68	65	First District Association Litchfield, MN	Dairy	0.524	0.477	0.126	0.095
69	Name withheld by request.						
70	78	Western Sugar Cooperative Denver, CO	Sugar	0.518	0.401	0.276	0.230
71	64	Tillamook County Creamery Assn Tillamook, OR	Dairy	0.516	0.479	0.326	0.295
72	61	Pacific Coast Producers Lodi, CA	Fruit & Vegetable	0.504	0.502	0.305	0.304
73	113	Hopkinsville Elevator Company Inc. Hopkinsville, KY	Grain	0.502	0.308	0.157	0.161
74	82	Five Star Cooperative New Hampton, IA	Mixed (Grain, Supply)	0.496	0.391	0.103	0.153
75	80	Frontier Ag, Inc. Oakley, KS	Grain	0.493	0.396	0.205	0.241
76	86	Horizon Resources Williston, ND	Mixed (Supply, Grain)	0.484	0.385	0.146	0.116
77	59	Producers Rice Mill Inc. Stuttgart, AR	Other (Rice)	0.479	0.528	0.244	0.206
78	60	Southern Minnesota Beet Sugar Cooperative, Renville, MN	Sugar	0.478	0.510	0.349	0.360
79	68	Alabama Farmers Cooperative Inc. Decatur, AL	Mixed (Grain, Fish, Cotton)	0.472	0.463	0.246	0.232
80	76	West Central Ag Services Ulen, MN	Mixed (Grain, Supply)	0.466	0.408	0.253	0.194

Table 5—Top 100 Largest Agriculture Cooperatives

2012 RANK	2011 RANK	NAME	TYPE	2012 REVENUE	2011 REVENUE	2012 ASSETS	2011 ASSETS
<i>\$ Billion</i>							
81	74	Western Consolidated Cooperatives Holloway, MN	Mixed (Grain, Supply)	0.466	0.431	0.237	0.199
82	70	Premier Cooperative, Inc. Champaign, IL	Grain	0.465	0.444	0.145	0.153
83		Name withheld by request.					
84	72	Viafield Marble Rock, IA	Mixed (Grain, Supply)	0.459	0.433	0.126	0.152
85	84	New Vision Cooperative Worthington, MN	Mixed (Grain, Supply)	0.454	0.387	0.143	0.125
86	81	Farmers Cooperative Society Sioux Center, IA	Mixed (Grain, Supply)	0.453	0.394	0.199	0.182
87	90	Gold-Eagle Cooperative Goldfield, IA	Mixed (Grain, Supply)	0.453	0.375	0.170	0.096
88	85	Harvest Land Co-op Richmond, IN	Mixed (Supply, Grain)	0.452	0.387	0.145	0.163
89	88	Ray-Carroll County Grain Growers Inc., Richmond, MO	Grain	0.451	0.381	0.136	0.103
90		Name withheld by request.					
91	106	Pro Cooperative Pocahontas, IA	Mixed (Grain, Supply)	0.442	0.330	0.141	0.157
92	107	Mid-Kansas Cooperative Assn Moundridge, KS	Mixed (Grain, Supply)	0.439	0.326	0.209	0.302
93	77	Alliance Grain Company Gibson City, IL	Grain	0.428	0.405	0.097	0.112
94	103	North Central Cooperative Inc. Wabash, IN	Dairy	0.428	0.338	0.164	0.160
95	94	Bongards Creameries Bongards, MN	Dairy	0.420	0.367	0.098	0.091
96	98	NORPAC Foods Inc. Stayton, OR	Fruit & Vegetable	0.417	0.356	0.265	0.249
97	124	Gateway FS Inc. Red Bud, IL	Mixed (Grain, Supply)	0.414	0.281	0.120	0.056
98	79	Swiss Valley Farms Cooperative Davenport, IA	Dairy	0.404	0.397	0.118	0.119
99	136	MaxYield Cooperative West Bend, IA	Grain	0.401	0.251	0.178	0.175
100	102	Producers Livestock Marketing Assn N. Salt Lake, UT	Other (Livestock)	0.392	0.338	0.040	0.043

UNITED STATES
DEPARTMENT OF AGRICULTURE

Office of the Secretary
Washington, D.C. 20250



NATIONAL COOPERATIVE MONTH
October 2013

By the Secretary of Agriculture of the United States of America

A PROCLAMATION

WHEREAS cooperative businesses—arising from a sense of community and common cause—are the ultimate economic self-help tool, helping member-owners market and process their crops and other products, obtain needed services, and acquire high-quality, affordable supplies; and

WHEREAS more than 130 million people own the Nation's 30,000 cooperatives, which generate \$650 billion annually in economic activity and provide a wide variety of goods and services ranging from electricity and telecommunications to credit and other financial services; and

WHEREAS farm, ranch, and fishery cooperatives had record sales of \$235 billion in 2012, and cooperatives, which create 185,000 full- and part-time jobs annually, are a key reason why the Nation's agricultural sector continues to thrive; and

WHEREAS USDA is proud to issue *Rural Cooperatives* magazine, now in its 80th year, and many other publications to promote understanding and use of cooperatives and to support the cooperative business sector;

NOW, THEREFORE, in recognition of the vital role that cooperatives play in improving economic opportunity and the quality of life in rural America, I, Thomas J. Vilsack, Secretary of the U.S. Department of Agriculture, do hereby proclaim October 2013 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 13th day of September, 2013, the two-hundred thirty-eighth year of the Independence of the United States of America.

THOMAS J. VILSACK
Secretary



Co-ops: Growing rural progress

From Alaskan flower farmers to new food hubs and brewpubs in Wisconsin; from a yoga studio in Montana to aquaculture operations in Virginia, new cooperative businesses are helping to build a stronger rural economy, creating jobs and providing needed services and products for their members. You can read about these and many other innovative co-op businesses on the following pages in

our annual Co-op Month salute. Each of the articles has been submitted by a rural cooperative development center, which USDA Rural Development is proud to help support through the Rural Cooperative Development Grant (RCDG) program.

This past year, USDA awarded \$6.5 million under the RCDG program, with a maximum grant amount of \$200,000. The primary objective of the program is to improve the economic condition of rural areas by assisting individuals or entities in the startup, expansion or operational improvement of rural cooperatives and other business entities. Grants are awarded competitively to co-op development centers, which in turn provide technical assistance.

While cooperatives can be formed for a nearly endless variety of reasons, one thing they all have in common is that they exist to meet the needs of their member-owners, rather than distant shareholders who may never even set foot in the community a cooperative serves. Those who benefit from a co-op are those who use it. Building more and stronger cooperatives is thus one of the best ways to build a better world.

To find out more about the RCDG program and other USDA programs that assist cooperatives, visit: www.rurdev.usda.gov.



CO-OP
MONTH

Peonies rising star of Alaskan agriculture

By Andrew Crow, Director, Alaska Cooperative Development Program

ON A WEEKEND this past summer, I attended the wedding of a friend's daughter. The setting was beautiful, looking out over Alaska's Kachmak Bay to the snow-covered mountains beyond. The flowers used for the ceremony were also beautiful — big red, white and pink peonies.

For those knowledgeable about the cut flower industry, it might come as a surprise that these Alaska-grown flowers were available for a wedding on

Alaskan peonies are produced on a schedule that allows them to fill a "window" in the marketplace.



“If you want to stay in control, you need to form a co-op.”

Aug. 10. But peonies are one of the rising stars of Alaska agriculture.

In 2007, when the University of Alaska Center for Economic Development made its first presentation about marketing cooperatives to the state’s peony growers, you could not have bought peonies in August. Not here in Alaska, not in the lower states and not even in the world’s biggest cut flower market in Amsterdam.

Alaska peonies fill market gap

Peonies, like most cut flowers, are a worldwide commodity. Israeli growers supply the market from mid-September to December. New Zealand fills in from December to March, and U.S. growers supply the market from March until late July. There has traditionally been no supplier from late July to September.

Around 2004, researchers at the University of Alaska noticed that this gap in supply occurs just when peonies bloom here. So, they set about learning how to grow peonies commercially in Alaska, then to convince people to get into the business.

It has been a slow process, but there are now several dozen growers in Alaska, all with plants at different stages. It takes three years from planting the first roots to making the first commercial harvest. Alaska’s first commercial harvest was in 2011, with volume rising steadily ever since.

Growers could see early on that a cooperative might help them, but they were unsure of what exactly they wanted from a co-op. Many did not want to give up any control over their



Rita Jo Shultz checks on her flower crop, near Homer, Alaska.

flowers or their farm brands.

Some growers thought that they would just do everything — planting, weeding, cutting, sorting, marketing, shipping and billing — all themselves. As time went on, the pioneers in the business have started to see the advantage of marketing together.

Few farms have all the varieties that brides want. And it was an extra burden to have to call around to neighboring farms to fill orders. By taking on such duties, a co-op would let growers focus more on their farms.

Dutch growers advise forming co-ops

The Dutch farmers who were selling flower roots to the growers also started to explain how the wholesale flower market works. They pointed out two

things: first, that the cut flower business is extremely competitive; second, that the most successful flower farmers in the world, the Dutch, use cooperatives. “If you want to stay in control, you need to form a co-op,” the Dutch flower growers stressed.

After six years of talking and meetings, the first Alaska peony growers’ cooperative was registered this past spring. The co-op has a central inventory and order desk.

Two other groups are at different stages of formation, and the state peony growers association is talking about ways to form a statewide federated co-op. So, if you are planning an August wedding, and want peonies, you can now get them in Alaska. And soon, you will be able to buy them conveniently from a producer-owned co-op. ■



CO-OP
MONTH

New co-op 'hubs' help meet need for local food in Wisconsin

By Courtney Berner, Cooperative Development Specialist, University of Wisconsin Center for Cooperatives



Wisconsin is one of the nation's leading agricultural states and home to many local food co-ops. Photo by Bill Berry, courtesy American Farmland Trust

FOOD HUBS are popping up across the country as communities strive to rebuild their regional food systems. Over the past few years, the University of Wisconsin Center for Cooperatives has worked with two new food hubs that are using the cooperative business model in unique ways to aggregate, distribute and market local foods.

Fifth Season Cooperative

Fifth Season Cooperative is a multi-stakeholder cooperative headquartered in Viroqua, Wis. It was established in 2010 to provide the infrastructure and coordination needed to move locally grown products into local institutions, such as hospitals, universities and school systems.

The co-op includes six different membership classes: producers, producer groups, processors, distributors, buyers and co-op workers. Each class has a representative on the seven-member board of directors. The founders hoped that including representatives from the entire supply chain would facilitate the trust and dialogue needed to negotiate difficult issues such as pricing, seasonality and shared risk.

Now in its second full year of sourcing regional foods, Fifth Season has 41 voting members and is on track to hit its sales goals for 2013. Fifth Season was launched with a \$40,000 Buy Local, Buy Wisconsin grant from the Wisconsin Department of Agriculture, Trade and Consumer Protection and support from Organic Valley, the nation's largest organic food cooperative.

Since then, however, nearly all of the co-op's capital has been raised through the sale of preferred stock to community members. One of the keys to the co-op's success so far has been through the use of existing infrastructure.

Thus, instead of purchasing trucks to distribute co-op products, Reinhart Foodservice was recruited to be the primary distributor member. Instead of investing in food processing equipment, Fifth Season has built relationships with several existing processors. The glue that holds all of this cooperation and coordination together is the combination of a strong manager and the co-op's set of core values that stress openness, honesty, fairness and sustainability.

Wisconsin Food Hub Cooperative

The Wisconsin Food Hub Cooperative, headquartered in Madison, incorporated in 2012 and is currently in its first year of sales. Like Fifth Season, the Food Hub has different types of members that represent a range of stakeholders in the food system and have different equity requirements and board representation. The four membership classes are: producers, founders, organizational partners and community supporters.

Producers elect seven directors, founders elect two directors and the remaining groups each elect one director. The goal of this structure was to include outside expertise and support while maintaining grower control of the business.

The original idea for the project emerged from Dane County's Institutional Food Market Coalition (IFM), an effort by the county to connect local farmers and food processors with institutions, such as hospitals, schools and other large-volume buyers. IFM found that there was significant interest from both growers and institutional buyers, but

the infrastructure to aggregate product was lacking.

Responding to this, the county commissioned a study to determine the feasibility of opening a fresh produce packinghouse in Dane County. The feasibility study, which was completed in 2011, indicated demand for local produce ranging from \$18 million to \$26 million per year.

Next, the county put out a “request for information” (RFI) seeking an owner/operator for the food hub. The selected candidate would receive \$28,000 for business planning services, detailed information from the feasibility study and technical assistance from the county.

In response to the RFI, a unique partnership developed between Wisconsin Farmers Union (WFU), which had been looking for opportunities to support new



Carolyn Austin boxes jars of elderberry jam produced by Austin's Rush Creek Farm in Ferryville, Wis. Her jams and jellies are marketed through Fifth Season Cooperative, among other channels. Photo courtesy Austin's Rush Creek Farm

cooperatives, and a small group of vegetable farmers. The WFU/grower partnership won the contract and spent the next several months writing a business plan and fleshing out their vision for the business.

Like Fifth Season, the Food Hub decided to focus on developing relationships with growers and buyers and leveraging existing infrastructure, rather than investing in a building or major equipment.

With 11 members and projected sales of \$3 million in its first year of operation, the Food Hub is far from meeting the region's demand for local produce. However, with the goal of recruiting 30-40 new farmers members in the next few years and relationships already in place with several key distributors and grocery chains, they are well on their way. ■



CO-OP
MONTH

From food hubs to brewpubs, cooperatives are growing in Ohio

By Christie Welch, Program Manger, Ohio Cooperative Development Center, The Ohio State University

COOPERATIVES are alive and well in Ohio. Thanks to state laws regulating cooperatives in Ohio, any type of business can choose to be a cooperative — and many are so choosing. The Ohio Cooperative Development Center (OCDC) at the Ohio State University has been assisting new and emerging cooperatives throughout Ohio and West Virginia. During the past five years, OCDC has assisted in the formation of more than 30 cooperatives, nearly 75 percent of which are involved with local foods.

Highlights of OCDC assisted cooperative successes include the following co-ops.

Our Harvest. This co-op was formed in

2012, modeled on the co-ops of the Mondragon region of Spain (home to the world's largest network of worker-owned co-ops). Our Harvest leaders believe it is the world's first unionized, worker-owned cooperative. Our Harvest is a rapidly growing food hub serving the Cincinnati area, where it supplies local foods produced by its worker-owners, as well by other local growers. The co-op recently received funding from CoBank and Farm Credit Services to help expand production, aggregation and distribution of locally produced foods. In addition, Our Harvest is working to increase the number of new growers through an apprenticeship program that includes hands-on training on a farm. As participants of the program graduate,

they can then become worker-owners of Our Harvest, ensuring future generations of farmers for the region. For more information about the co-op, visit: <http://ourharvest.coop/>.

Fifth Street Brewpub Cooperative.

Ohio's first cooperative brewpub, which formed in the St. Anne's Hill Historic District in Dayton, held its grand opening Aug. 3. The founding members of this cooperative had goals of creating a place where neighborhood residents could come together in a relaxed and enjoyable atmosphere to create a sense of community. It is hoped that the co-op will have a positive economic and social impact on the neighborhood. Fifth Street Brewpub currently has 2,050 members and

continues to grow. In July, the co-op received the Preservation Award from Dayton History. For more information about the co-op, visit: <http://www.fifthstreet.coop/>.

Uni-Serve USA. This cooperative is a national network of commercial hood-cleaning companies that clean



restaurant vent hoods, especially for fast-food restaurants. The cooperative allows its members to enjoy the convenience of centralized billing and reporting. It also helps them to provide improved customer service, with immediate response from a local service provider. Uni-Serve USA currently has 20-plus companies as cooperative owner/members and maintains a preferred vendors list that reduces the cost of doing business by helping its members act as one company. Uni-Serve USA cooperative also joins with other cooperatives to offer additional benefits and services to owner/members, such as the ability to participate in benefits offered through the United Regional Purchasing Cooperative (URPC),

BizUnite and Employee Perks. For more information about the co-op, visit: www.uni-serveusa.com.

Farmers Market Management

Network. This is a cooperative of Ohio farmers' markets managers, vendors and producers who have come together to provide networking, shared services and consistent messaging with regulators. Formed in 2008, FMMN has worked to provide information and training for the rapidly increasing number of farmers' markets throughout Ohio. FMMN works with many groups throughout the state to help educate managers and producers on food safety regulations, best marketing practices, and

shared services such as access to insurance for Ohio farmers' markets and their vendors/producers. For more information about the co-op, visit: www.fmmn.org.

In addition to those listed above, OCDC is working with groups exploring the cooperative business model. These include: Goodness Grows, a faith-based incubator/training farm in the Youngstown area; the Mid-Ohio Valley Growers Cooperative, a group of producers working together to market their produce to Charleston and Parkersburg residents in West Virginia; and many more.

OCDC works with The Ohio State University and West Virginia University Extension Educators to provide technical assistance to groups exploring the development of cooperatives in the two-state region. ■



Tending plants that will eventually produce food to be sold through the Our Harvest Cooperative in Ohio, which is structured based on the worker cooperative model used in the Mondragon region of Spain. Photo courtesy Our Harvest Cooperative



CO-OP
MONTH

Multi-stakeholder co-op to bolster New Hampshire fishing industry

By Noémi Giszpenc and Lynda Brushett



Fishermen Neal Pike, president of the Yankee Fishermen Cooperative, and his son (also named Neal) begin the first trawl of the day on board the *Sandi Lynn*. Photo by Sarah VanHorn

NEW HAMPSHIRE fishermen experienced a 78-percent cut in the groundfish quota allowed in 2013 and were further challenged by low lobster prices and increasing costs of fuel and bait. About 98 percent of the groundfish landed in New Hampshire are normally shipped out of state, with most being sold for low prices at commercial fish auctions.

These factors put the New Hampshire fishing industry in a precarious position; its very survival is threatened. Josh Wiersma, Northeast Fishery Sector XI and XII manager and Fishues (rhymes with “issues”) blogger Sarah Van Horn decided that the time was right to form a community

supported fishery (CSF) to help preserve the industry. The objectives of a CSF would be to help local fishermen diversify markets, meet the need of consumers for fresh, locally harvested seafood and capitalize on an established infrastructure of fishermen, producers and processors.

“The maritime fishing industry — a vital element of the economy, culture and history of the New Hampshire seacoast — is in crisis,” Van Horn says. “We are addressing this crisis by increasing the recognition and appreciation of the interdependent roles that the fishing industry and the consumer play in our local ecological economy.”

CSFs patterned on CSAs

Taking a cue from local, community supported agriculture (CSA) programs, in which farmers offer consumers shares of the harvest for a pre-season, pre-paid price, Wiersma and Van Horn worked with local fishermen to develop a business plan for a community supported fishery.

Fourteen fishermen and crew from Seabrook, Hampton, Rye and Portsmouth — representing just about all the active fishing boats in New Hampshire — decided to organize the initiative as a cooperative that would reconnect local consumers with commercial fishermen. That meant

bringing consumers into the fishing business.

Unlike traditional CSFs, New Hampshire Community Seafood is a “multi-stakeholder” cooperative. Instead of the fishermen being the sole member-owners, consumers are also offered an opportunity to become co-op members. “This way,” Wiersma says, “interested and engaged consumers can be more directly integrated” into the CSF and its mission.

Consumers are offered the opportunity to buy a share in the cooperative in addition to their seafood share. Consumers who buy a share of NH Community Seafood are represented by having a seat on the board of directors. They are also entitled to receive a portion of any profits made at the end of the year. Buying a share of the co-op gives the consumer a voice in the organization; both the fishermen and the consumers thus have a vested interest in seeing the organization succeed.

Fifth fishing season may be added

NH Community Seafood consumers pre-pay for an eight-week “season” of fresh seafood consisting of half, or full, allotments of a weekly delivery of a filleted groundfish share, a weekly whole groundfish share, or a bi-weekly

“underdog” fish share (an underutilized fish species). Four “seasons” are planned, with a possible fifth season in February and March that would feature shrimp and scallop.

Deliveries of freshly caught fish are made weekly or every other week to farmers' markets and other community locations. Cod, redfish, cusk, king whiting, monkfish, pollack, squid and lobster have been among the offerings. Tweets keep consumers up to speed on upcoming deliveries.

Taking cooperation a step further, NH Community Seafood developed partnerships to support aggregation, processing and distribution with two businesses that are key to the state's commercial fishery infrastructure. Yankee Fishermen's Cooperative in Seabrook picks up the fish at the dock, sorts and grades it, and then sends the highest quality fish to Seaport Fish, a family-owned wholesale and retail market in Rye, N.H., which processes and packages fish for delivery the following day. This means consumers receive fish within 30 hours of its being landed.

NH Community Seafood's mission is to: “provide local fishermen a fair market for all the species they catch and to provide the consumer with access to a wide variety of fresh, locally caught seafood throughout the year; [this

provides consumers with] better insight into the supply chain that brings seacoast seafood to their table, and [gives them] direct input about the choice and diversity of fish they consume.”

The co-op mission statement continues: “The cultivation and nurturing of this direct relationship between local fishermen with local consumers is intended to increase demand for local seafood, to promote community awareness and engagement in marine resource issues and to support our local and regional economies through the preservation of the livelihoods of local fishermen and the supporting of shore-side support infrastructure.”

Editor's note: Giszpenc is the executive director of CDI (Cooperative Development Institute), headquartered in Shelburne Falls, Mass. Brushett is the senior cooperative developer at CDI specializing in agriculture and food systems: co-ops of producers (farmers, fishermen, foresters) and consumers (retail stores, buying clubs, institutions, etc.). CDI, a 501(c)3 organization, was founded in 1994 with the mission of developing a cooperative economy in New England and New York. It provides direct business assistance, training and networking for established co-ops, start-ups and businesses considering conversion to cooperative ownership. ■



Initiative helping convert grocery stores into co-ops

By Stuart Reid, Food Co-op Initiative

WE HEAR a lot about the demutualization of cooperatives, but what about the flip side? How viable is it to convert a privately owned business into a cooperative? The Food Co-op Initiative has been receiving inquiries from

independently owned grocery stores of varying size and product mixes during the past few years asking for advice on becoming a cooperative.

Transitioning to a cooperative may be a potential exit strategy for owners wanting to retire or move on. In some

cases, the store may be in decline and the community support of a cooperative is seen as a way to gain investment and build loyalty and sales.

As independent grocers struggle to survive in an increasingly competitive environment where large chains benefit

from significant economies of scale, the number of owners looking for a way to sell or save their stores is increasing. Is this a realistic opportunity for new co-ops to acquire ready-made storefronts?

Food Co-op Initiative decided that it was important to understand the unique issues that arise when a new co-op forms around the desire to purchase and convert an independently owned store. We identified two rural communities that were exploring a co-op conversion and offered development funds and support in exchange for the organizers' commitment to document and share their experiences.

The Old Creamery (now Old Creamery Co-op) has had a long history in Cummington, Mass., where it serves an isolated population on the edge of the Berkshires. Noah's Ark (now Placerville Natural Foods Co-op) was a more recent addition in the historic gold-mining foothills of Placerville, Calif. Both groups have successfully completed their transitions and are operating as consumer cooperatives.

Patricia Cumbie interviewed the co-op organizers, previous owners and new general managers in preparation for writing the final study.

Some of the key lessons we learned from these case studies include:

- Support specifically designed to assist the conversion process is minimal.
- Conversions require buyers, sellers and financial institutions to have a strong understanding of the needs of cooperative financing.
- Sellers have to be patient with groups that need time to organize their community, raise capital and carry out the legal process of conversion.
- Changing organizational structure and transitioning operations to reflect cooperative best practices — including a chart of accounts, membership records and management accountability to a board — is an extensive undertaking.

The full study, *Buying a Business to Start a Co-op: A Case Study of Food Co-op Conversions*, is available for free download on the Food Co-op Initiative website: www.foodcoopinitiative.coop/content/co-op-conversion-case-study

There is another opportunity for successful business conversions that we have not yet addressed and may offer significant advantages: the acquisition of

an independently owned grocery store by an established co-op with financial resources and operational experience. Several such acquisitions have occurred, and more research needs to be done to document the process and encourage similar efforts. Food Co-op Initiative plans to continue its research and will include this and other options in a future study. ■



Co-op patrons enjoy a meal the Old Creamery Co-op in Cummington, Mass., (also seen in exterior photo), which serves members who live along the edge of the Berkshires. Photos by Stuart Reid, courtesy Food Cooperative Initiative.



CO-OP
MONTH

Business blooms rapidly for Northwest horticulture co-op

By Jeff Voltz, Project Manager, Northwest Agriculture Business Center, A USDA Rural Cooperative Development Center

MOST COOPERATIVES

form to help

members meet a specific need, such as reducing costs for supplies and services, or to perform processing and marketing. Sometimes they arise to take advantage of a special market opportunity. Regardless of what initially sparks a new co-op, a critical component for the start-up and long-term success of any cooperative is the existence of a group of people who believe that they can accomplish more by working together than they can as individuals.

The Seattle Wholesale Growers Market was born of a need and an opportunity. As individuals, the cooperative's founding members were struggling with the challenges most producers face trying to farm, market and manage their farm businesses. All their farms were located long distances from the urban markets, where there is strong demand for their unique, locally produced flowers and nursery stock.

Co-op builds own wholesale depot

To address their marketing needs and to take advantage of marketing opportunities for their niche products, the growers decided to open a "bricks and mortar" wholesale depot in the Georgetown area of South Seattle. The Seattle Wholesale Growers Market incorporated as a cooperative in Washington state in February 2011. Its new, wholesale market opened two months later.

An unusually cold, wet winter delayed many of the spring flowers that year. However, within a few months the market was packed with an enticing diversity of floral products. These



Flowers grown near Washington's Mount Baker will be sold through the Seattle Wholesale Growers Market (SWGM) cooperative. Photo by David E. Perry. Below: Co-op members' flowers on display for wholesale buyers. Photo courtesy SWGM

included much-sought-after, hard-to-buy items such as lilacs, snowball

viburnum, unusual bulb crops, blooming branches, poppies and many forms of tulips.

Word about the co-op and its offerings quickly spread through Seattle's community of floral designers, and business began to boom at the new wholesale market. Increased sales in the first year contributed to the creation of six new, full-time jobs.

"Our founding members were all from rural areas in Washington, Oregon and Alaska," says Diane Szukovathy, co-owner of Jello Mold Farm and president of the cooperative. "There were a lot of flowers being sold in our region, but very few of them were coming from local farms. The traditional wholesale houses had changed their buying habits in favor of cheap imported flowers, mainly coming from South America.

"Many Washington and Oregon flower farms had already gone out of business, and the remaining ones were struggling to find efficient and reliable channels for distribution," Szukovathy continues. "We felt that the strong 'buy

local' sentiment in our region would work in our favor, as it already had for food farmers. We truly had no idea how quickly we would be embraced by Seattle's professional floral buyers, who appreciate the outstanding quality, diversity of products and warm community atmosphere of our market."

Co-op assisted by NABC

Seeking help and guidance for the development of a cooperatively owned business, Szukovathy connected with the Northwest Agriculture Business Center (NABC) in the fall of 2010.

"It was very helpful to have NABC as a resource to vet some of our ideas about organizational structure," Szukovathy says. "They also provided a great service in support of our startup by providing an interim web page on their site and staff resources to help us publish weekly 'fresh sheets' for our customers during that critical first year."

As a core service, the cooperative has provided the grower-members with a facility to market their products as individual businesses. But the cooperative has also provided a venue in which the growers are able to share common values and best practices. This opportunity led to the development of the co-branded "By the Bunch" floral program.

The grower-members have worked together with two key Seattle-area supermarket chains to bring fresh, locally produced bouquets to market. As a component of this program, Seattle Wholesale Growers Market has partnered with Salmon-Safe (www.salmonsafe.org), a Pacific Northwest regional eco-label which allows qualifying member farms to achieve third-party certification for sustainable growing practices.

The Seattle Wholesale Growers Market has grown from an initial 14

members to its current 17 members. Gross annual revenues increased from \$300,000 in 2011 to over \$500,000 in 2012. Sharp growth has continued in 2013, with projected annual revenues expected to easily top \$800,000.

Are the members pleased with the results? "Most of us believe this effort will be instrumental in the long-term viability of our farms and our entire industry," says Szukovathy. Because of this co-op and the market opportunities it has provided, our farm sales have more than doubled in the past three years. And these sales are more profitable because marketing and transportation costs have been reduced.

"We are preserving farmland and our rural heritage, creating jobs and providing a more environmentally progressive and safe product to the marketplace," she continues. "This effort is a big win for a lot of people!" ■



CO-OP
MONTH

Dairy Co-op ensures feed supply by operating organic grain mill

Courtesy Kentucky Center for Agriculture & Rural Development



THE IDEA behind Kentucky Organic Farm and Feed Inc. (KOFFI) was developed by a group of Amish and Mennonite dairy farmers in southern Kentucky as they began to investigate their options for sourcing organic feed.

The farmers, who were transitioning to organic dairy production, needed a local source to mill their cattle feed. At the time of the transition, a fellow farmer, John Troyer, was doing some

milling for the group and he was selling some organic products. Troyer agreed to expand his production of organic feed, and he rented a building on the same road as his farm to expand production to provide locally milled organic feed for the dairy cattle producers in the area.

"John was doing a great job, but he

had a lot of irons in the fire," explains Menno Beiler, KOFFI president. "He had reached a point where he wanted to pass off the business or get more people involved. We decided to put together a steering committee to look at what direction we wanted to go, and that is when we decided to develop a cooperative to run the feed mill."



Sam Justice, manager of the Kentucky Organic Farm and Feed Inc. (KOFFI) feed mill (facing page) takes care of the office work. Photo courtesy KOFFI

KCARD gives crucial assistance

The group decided to rent the building Troyer had used as a mill and continued the operation. The Kentucky Center for Agriculture & Rural Development (KCARD) was brought to the table early in the process to help the group of farmers navigate the development of the cooperative.

“There were a few [of the dairy farmers] who had business experience,

but none of us had any experience with a cooperative,” says Beiler. “I can’t remember who recommended we contact KCARD for help, but this co-op probably would have never happened if KCARD hadn’t been there to guide us through the development.”

Coming in to assist the co-op during the early stages of development allowed KCARD to help the farmers draft the initial bylaws and articles of incorporation to establish the cooperative. The Center’s staff attended meetings for several months, helping the farmers as they developed a business plan for the mill.

KCARD also worked closely with Organic Valley, an organic milk cooperative that is the buyer of the farmers’ milk, to develop the plan for supplying grain to the mill.

“At this point, the grain is not owned by KOFFI; it is on consignment from Organic Valley,” explains Beiler.

“Organic Valley has the grain delivered to the mill, KOFFI mills it in the feed ration each producer needs, and then Organic Valley bills the farmer for the grain. KOFFI bills the farmer for a milling and moving charge.”

Expanding customer base

KOFFI has grown its customer base beyond the initial farmers that came

together to create the cooperative. Sam Justice, KOFFI mill operator and driver, says that while the core business remains the organic dairy farmers, a growing number of small poultry producers and other livestock operators in the area are coming to the mill for their organic feed.

“I believe we are the only organic mill in about a 250-mile radius,” says Justice. “The majority of our customers are in the southern Kentucky area, but we do have farmers that come from Tennessee and even one that drives from Georgia for organic feed.”

Justice and Beiler agree that running an organic feed mill has offered challenges and successes. Unlike conventional feed mills, Justice can’t just run down to the local elevator to pick up grain if the supply at the mill runs low. Yet, farmers have also learned to work with Justice to use the unique mix of organic grains in their animal rations.

“It has been a learning experience for us all. But thanks to the dedication of our farmers and the continued assistance from KCARD, we are moving forward,” says Beiler, “I believe that there is an opportunity for KOFFI to continue to grow to provide a much needed service to organic farmers in the area.” ■



CO-OP
MONTH

Great Lakes Center pursues innovative co-op solutions

By Bill Oemichen, President & CEO, Cooperative Network

INNOVATION is alive and well in the

Upper Midwest, where cooperation is a vital part of the rich fabric of the region. Community leaders here embrace collaboration, often involving cooperatives, as a market solution that benefits people and their communities.

More co-ops are headquartered in

Minnesota and Wisconsin than in any other states. The two states are home to more than 1,500 cooperative businesses owned by more than 6.3 million residents.

Upper Midwest cooperatives include businesses that are on the Fortune 500 — CHS Inc. and Land O’ Lakes Inc. — as well as co-ops that are leaders in the

fields of healthcare (HealthPartners HMO) and financial services (Thrivent credit union), all headquartered in the Twin Cities area. The region is also home to cooperatives that operate critical access hospitals in rural Wisconsin and to worker-owned co-ops, such as Union Cab and Isthmus Engineering, both in Madison, Wis.

Electric and telecommunications utility co-ops provide service across rural and suburban areas of the region. The Great Lakes area is home to a growing number of rural and urban grocery and senior housing cooperatives as well hundreds of farm supply, fuel, and grain cooperatives; credit unions; mutual insurance businesses and Farm Credit associations.

Partnering with USDA, others

The Great Lakes Cooperative Center (GLCC) is a public/private partnership between the Cooperative Network, the University of Wisconsin Center for Cooperatives and USDA. The Center has received Rural Cooperative Development Grant funding from USDA the past two years and has leveraged significant private funds for cooperative development activities.

This unique arrangement maximizes the use of federal resources and generates a strong return on investment through the Center's economic development activity that is far greater than its federal, state or private partners could independently match. In its short existence, the GLCC has created or prevented the loss of more than 50 jobs.

During the past 18 months, GLCC has focused on assisting community leaders in developing new cooperative businesses across the Upper Midwest, as well as assisting established co-ops in taking advantage of new opportunities to better meet the needs of their members.

The Center is focusing its work in several specific arenas, including energy, healthcare, senior housing, agriculture and local food. Assistance provided includes conducting feasibility analysis, business plan and program development, co-op creation and governance, education/outreach and technical assistance.

Co-op approach to healthcare

In the healthcare sector, GLCC is



Development of senior housing cooperatives, such as the Realife Cooperative of Coon Rapids, Minn., has been a major focus of the Great Lakes Cooperative Center. Photo courtesy Cooperative Network

working to promote greater access to affordable, quality healthcare for agricultural producers in Wisconsin and Minnesota. The Farmers' Health Cooperative of Wisconsin (FHCW) is now bringing a price-competitive, comprehensive healthcare plan to Wisconsin farmers and agribusinesses, particularly in the state's vitally important, \$26 billion dairy industry.

GLCC is working to create a similar healthcare cooperative for Minnesota agriculture: 40 Square Cooperative Solutions. The Center is also providing technical support to the newly developed Common Ground Health Care Cooperative in Wisconsin and other healthcare cooperatives that are being developed across the nation to meet a fall deadline for offering competitive, high-quality health care plans on new state health insurance exchanges.

In the area of senior co-op housing, GLCC is playing a key role in hosting a national conference each year in Minnesota, conducting workshops featuring key issues that senior housing cooperatives face and facilitating the exchange of "best practices" among the cooperatives' managers. This past year, the conference assisted about a dozen rural cooperatives through the exchange

of board policies and other technical information.

Co-op roles in energy, local foods, education

In the energy sector, GLCC is working with three Wisconsin electric cooperatives to create an energy-efficiency program that will provide members (many of them low-income families) with access to energy-efficiency technologies that can save money for rural home and business owners.

To promote local foods, GLCC offers a diverse array of services to developing and existing cooperatives. These include the Deerfield Grocery Cooperative, Wisconsin Food Hub, North America Aronia Cooperative and Spring Rose Growers Cooperative. Working with the University of Wisconsin Center for Cooperatives, GLCC is providing these important job generators with business planning information, training and other technical resources.

Finally, the GLCC is working with Wisconsin's 12 CESAs (Cooperative Education Services Agencies) to conserve scarce K-12 school district financial resources through the common purchase of transportation

fuels and through development of a model bus transportation contract. This activity is consistent with the common purchasing role created for these school district cooperatives by the Wisconsin

Legislature in 1964.

Most Upper Midwest cooperatives had very humble beginnings, but now serve as major economic anchors in their communities. GLCC is working

with those cooperatives to ensure the region's strong cooperative tradition continues to provide the foundation for a strong rural economy. ■



CO-OP
MONTH

Aquaculture providing opportunities for Virginia farmers to diversify

By James Matson and Jessica Shaw

VIRGINIA is home to a large, flourishing agricultural community that includes many small individual and family farms. Many farmers here experienced high stress and low income after the loss of the tobacco and peanut federal programs, resulting in pressure to find new crops and sources of income.

Small farms in the Old Dominion continue to confront obstacles as they try to compete with larger agricultural corporations. But they often find that they need some type of assistance to remain viable.

VA FAIRS supports small farm sector

The Virginia Foundation for Agriculture, Innovation and Rural Sustainability (VA FAIRS) is a rural development center that provides help to farmers and rural businesses. The foundation assists in the creation of rural businesses, offering assistance to individuals, cooperatives, small businesses and other similar entities in rural areas.

The development center is funded in part through the USDA's Rural Cooperative Development Grant (RCDG) program, which allows recipients to further develop their business goals and help other rural businesses. According to the USDA Rural Development's website, the purpose of the RCDG program is to "improve the economic condition of



Fish farming is proving to be a promising alternative "crop" for some producers in Virginia. Chris Bentley and Dr. Clarke Morton of Mid-Atlantic Aquatic Technology (MAAT) operate a fish farm on the state's eastern shore. The farm is a member of the Virginia Aquafarmers Network.

rural areas by assisting individuals or entities in the startup, expansion or operational improvement of rural cooperatives and other business entities."

"We have used these grants to help cooperatives, which, in turn, have helped other rural businesses by providing services and outlets for their products," says Chris Cook, the center's executive director.

VAN helps small aqua-farms

Virginia Aqua-farmers Network LLC (VAN) is a cooperatively

organized, producer-owned business of independent freshwater fish and prawn producers. Though VAN is chartered as an LLC, the entity is operated, and functions, as a cooperative. The network provides an outlet for small aqua-farmers, primarily in south-central Virginia, who wish to provide their consumers with fresh, locally produced seafood. They can accomplish this by bringing together production resources and marketing opportunities for the benefit of smaller aqua-farmers.

The idea behind the Virginia Aqua-farmers Network started with a desire

to assist existing small-scale aquafarmers and flue-cured tobacco growers who were looking to use their existing farm infrastructures to produce an alternative income stream.

VAN supports the growth of the Virginia aquaculture industry and offers farmers a means of furthering their production. Before the dreams of VAN's project leaders could become a reality, the cooperative needed financial and organizational help.

VAN's initial development was a slow process, as there were many obstacles to overcome. But the leaders were determined, and the Virginia Aquaculture Association was instrumental in procuring funds from USDA's Value-Added Producers Grant (VAPG) program, which led to the creation of a feasibility study and an initial marketing and business plan. After the completion of these documents, VAN was able to hold its first meeting with producers.

Many organizations — including VA FAIRS, Virginia State University, Virginia Tech University, Virginia Farm Bureau Federation and others — took interest in VAN's venture because of its potential to help farmers move from traditional cash crops into new, value-

added niche marketing.

“VA FAIRS has been an exceptional partner and has been instrumental in guiding us to build from the ground up” says Lynn Blackwood, VAN chairman and founding member. “We hope to further develop [the network] by bringing in new producers and continue to integrate vertically.”

VAN is currently working with a number of producers to help expand seafood items produced. It continues to provide producers with technical assistance, training, purchasing opportunities, logistics coordination and marketing opportunities.

MAAT develops unique fish farming practice

Mid-Atlantic Aquatic Technology (MAAT), which recently joined VAN, is operating a land-based fish farm on the eastern shore of Virginia. MAAT has worked for years to develop its own unique system of raising fish from eggs to market size, while maintaining a healthy, sustainable environment for the fish.

As the business has grown, MAAT has partnered with many organizations that have helped it further develop its goals. “Through their pool of expertise,

Virginia FAIRS and VAN have only proven to make our business stronger as they have helped expand and strengthen our collaborative knowledge,” says MAAT Farm Manager Chris Bentley. “We hope to continue this partnership as we grow.”

Although others had tried and failed, VAN persisted in its desire to help local farmers and strived to make their desires a reality. With assistance from VA FAIRS, the network has helped secure the future for smaller, rural businesses, such as MAAT, that may not have otherwise possessed the means to succeed on their own.

Stephen Versen, project manager for the Agriculture and Forestry Development Services, part of the Virginia Department of Agriculture and Consumer Services, says that an aquaculture cooperative serves as an important vehicle that helps existing and future members reach markets and gives them the marketing tools to be successful.

Editor's note: Matson is a South Carolina-based business development consultant with expertise in cooperative development. Shaw is an editor and consultant with Matson Consulting. ■



CO-OP
MONTH

Central Indiana's first food hub goes “LIVE!”

By Debbie Trocha, Executive Director, Indiana Cooperative Development Center Inc.

HOOSIER HARVEST Market — the first food hub in central Indiana to focus on Indiana-grown products — opened to customers on May 31. The food hub is based in Greenfield and will have several delivery points throughout central Indiana.

Hoosier Harvest Market is a cooperative that is connecting Indiana food producers with consumers who



The Hoosier Harvest Market operates a “virtual marketplace” via this website.

seek locally grown food products. Many of our neighbors in surrounding states have enjoyed such a “local food connection” for several years, and now Hoosiers have the same opportunity to buy local food and to support local producers.

At the outset, Hoosier Harvest Market will be operating as a “virtual marketplace.” With the click of a mouse, consumers can order their

locally produced foods any time, from the comfort of home or office. The food hub is viewed as a complement to the region's farmers markets.

The co-op's website, www.hoosierharvestmarket.com, explains how to become a member and to place orders directly with producers. It also provides delivery locations. Producers who want to sell their local products can find more information and join through the website.

How does a food hub work?

Farmers/producers update their product availability and prices weekly in an online marketplace.

Consumers shop and fill their "market baskets" with products from the farmers of their choice and pay online.

Farmers deliver their products to an aggregation point for rapid sorting and

packaging.

Customized individual market baskets are delivered to a pickup point that the consumer has previously selected.

Help from many sources

Purdue University Hancock County Extension spearheaded this initiative, with assistance from the Indiana Cooperative Development Center (ICDC), Indiana State Department of Agriculture, bankers, community organizations and farmers.

Planning for the initiative began in the fall of 2011. A Specialty Crop Block grant was received through the Indiana State Department of Agriculture (with funding from USDA) and a business plan and feasibility study were completed in 2012. ICDC helped guide the steering committee through its legal incorporation as a cooperative.

According to U.S. Agriculture Secretary Tom Vilsack, "Skyrocketing consumer demand for local and regional food is an economic opportunity for America's farmers and ranchers. Food hubs facilitate access to these markets by offering critical aggregation, marketing, distribution and other services to farmers and ranchers. By serving as a link between the farm or ranch and regional buyers, food hubs keep more of the retail food dollar circulating in the local economy."

In effect, the success of regional food hubs comes from entrepreneurship, sound business sense and a desire for social impact, Vilsack said. USDA estimates that there are currently more than 220 active food hubs across the country. ■



CO-OP
MONTH

New farmer-owned fertilizer plant being explored

By Bill Patrie, Director, Common Enterprise Development Corporation

GERMAN scientists Fritz Haber and Carl Bosch created the Haber Bosch process in the early 20th century for making synthetic fertilizer. *Nature Magazine* says that these two individuals were the most influential persons of the 20th century, their work rivaled only by the germ theory of disease, developed by Louis Pasteur and Robert Koch, for having the greatest impact on humankind in the past 200 years.

The Haber Bosch process makes anhydrous ammonia (NH₃), which is the building block for other solid and liquid nitrogen fertilizers. The process combines nitrogen, taken from ambient air, and hydrogen, most commonly taken from methane or natural gas. This process was first employed for



The Dakota Gasification Co. (DGC), a for-profit subsidiary of Basin Electric Power Cooperative, operates the Great Plains Synfuels Plant, near Beulah, N.D., the nation's only commercial-scale coal gasification plant that manufactures natural gas. Photo Courtesy Basin Electric Cooperative

commercial fertilizer production about 1913. By the 1950s, farmers across the United States and Canada owned fertilizer manufacturing facilities that used the process developed by the German scientists.

When natural gas prices spiked in the United States and Canada in 2008, many fertilizer production facilities using natural gas shut down. Taking their place were fertilizer manufacturing facilities developed in parts of the world where there were supplies of “stranded” natural gas (an undeveloped natural gas field). Over time, farmer-owned manufacturing plants were closed or sold. Now there are none left in the United States or Canada.

In 1988, Basin Electric Cooperative acquired Dakota Gasification Co. (DGC), which manufactures synthetic natural gas and other high-value gases from coal. DGC added an ammonia manufacturing plant that uses the Haber Bosch process to add value to the natural gas it was already producing. The Dakota Gasification plant and the fertilizer operation are operated on a for-profit basis without the opportunity for farmer ownership (for more about it, visit: www.dakotagas.com).

With the discovery of the Bakken oil formation in North Dakota, natural gas

has once again become plentiful. Prices have fallen to the point that when an oil well begins producing, oil companies flare (burn) the escaping natural gas rather than attempt to capture it. As a consequence, a satellite image of the Bakken at night has a light density of a major urban area.

CEDC helping farmers explore new plant

Common Enterprise Development Corporation (CEDC) has been working with the North Dakota Corn Utilization Council, the North Dakota Soybean Council and producer groups from South Dakota, Minnesota and the Canadian Province of Manitoba to find ways that farmers could once again gain an ownership position in a fertilizer manufacturing facility.

The initial feasibility study conducted for the group by North Dakota State University (NDSU) suggested that a facility located in the upper Great Plains accessing Bakken natural gas would be cost competitive with other manufacturing facilities in the United States and Canada. It would also likely have a transportation cost advantage for supplying the local farmers.

Farmers operating as Northern

Plains Nitrogen LLP are currently organizing an equity campaign to convert the feasibility study into a business plan. Money raised would be used to build and operate a plant at Grand Forks, N.D. The farmers behind this effort are not alone. There have been a number of press announcements of major corporate expansions of existing fertilizer manufacturing facilities in the United States and Canada. The largest cooperative in the United States, CHS Inc., has also announced an engineering study for a site near Spiritwood, N.D.

The feasibility study completed by NDSU suggests that the smallest manufacturing plant that would be competitive on a cost-per-ton basis must produce about 750,000 tons per year. Such a plant would cost up to \$1.5 billion. The largest fertilizer companies in the world are state-operated enterprises, so farmers are facing not only multinational corporations, but foreign nations themselves.

Haber and Bosch started something big 100 years ago, and it makes for a wild ride for farmers trying to re-establish a producer-ownership stake in fertilizer production. ■



Simple Yoga & Wellness Co-op promotes health in Montana

By Julie Foster

Simple Yoga & Wellness Cooperative began as a sole-proprietor yoga instruction center in Hamilton, Mont., in 2007. The founder, Meg McCracken, had a passion for the art and benefits of yoga and soon developed a loyal customer base and a staff of talented instructors. She ran the Simple Yoga studio for six years.

Hamilton, population 4,100, is the Ravalli County seat. The rural county is 90 miles long with communities nestled between the Bitterroot and Sapphire Mountains. Businesses tend to be small here — 51 percent of businesses in the county have nine or fewer employees.

Montana ranks 38 among the states for average per capita wages. According to the U.S. Bureau of Economic

Analysis, Ravalli County's per capita personal income is \$30,955, just 74.5 percent of the national average. About 15.3 percent of the county residents fall below the poverty line.

When “life’s changing tides” took the founder of Simple Yoga to new opportunities in California, many of the practitioners and instructors could not bear the thought of losing their yoga

studio. However, there wasn't much time to consider the options.

Two of the yoga practitioners — Marilyn Morris and Alla Brooks — decided they had to try to save their studio, so they made a deal with the owner to buy the business.

Co-op viewed as best business structure

The new owners, the customers and the instructors knew that they wanted to form a cooperative. They had done Internet research and found that the co-op model seemed to best meet their needs. They then sought professional assistance from an attorney and a certified public accountant.

They found professionals who wanted to help, but didn't know the first thing about starting a cooperative. That led to the beginning of what could have been ongoing, costly research into how to incorporate a cooperative.

Fortunately, an article in the local newspaper pointed the fledgling co-op to the Ravalli County Economic Development Authority (RCEDA) and then to a cooperative development specialist with the Montana Cooperative Development Center (MCDC).

"Without the technical assistance made possible by the Montana Cooperative Development Center, we would have spent a lot of time and money trying to create our cooperative," says Brooks, now a co-chair of the co-op. "We sought help from a local attorney who specializes in assisting nonprofits, but was not familiar with the cooperative business model. One hour's time for research into forming a



Hamilton, Mont., (above), is the home of the Simple Yoga & Wellness Cooperative. Here, students in the lotus position practice breathing and meditation exercises. The co-op was formed to save the studio when closure appeared likely.



cooperative cost nearly \$200."

Mounting legal costs such as that would have soon exceeded the financial resources on the start-up co-op, she notes.

A perfect fit

RCEDA has been part of the MCDC team for nearly eight years. MCDC provides training and continuing education for a statewide network of cooperative development specialists. Assisting the Simple Yoga & Wellness Cooperative was a unique, rewarding experience for RCEDA.

The co-op organizers said they had goals even beyond running a yoga studio, describing what the co-op world knows as the "seven cooperative principles." These principles include goals such as a commitment to improving communities and to work to

help other cooperatives.

The co-op organizers had no knowledge that the seven core co-op principles even existed. It was that kind of perfect fit during the entire process that made working with this co-op so memorable.

The cooperative is a source of jobs, contracting with six regular instructors, two substitute instructors and a part-time bookkeeper. An additional yoga instructor will likely be added to the staff this fall. The facility is in a leased location, with the co-op being the "anchor" tenant. The customer base and revenue are growing.

Co-op co-chair Brooks stresses how important the member/owners' volunteer efforts have been in making the business work. Through donation of seed money and time, many have stepped forward to help. Volunteers clean the studio, water plants, build studio accessories and help with fundraising. During a recent workshop, one member provided housing for the guest instructor.

While many people and people agencies — including USDA, Montana State University and MCDC — have helped the co-op succeed, co-op founders Marilyn Morris and Alla Brooks have played the biggest role by stepping up to save the business, taking the risk and making the substantial initial effort to turn this into a story worth telling.

Editor's note: Foster is cooperative development specialist with the Montana Cooperative Development Center and executive director of the Ravalli County Economic Development Center. ■



CO-OP
MONTH

CooperationWorks members working for job growth, stronger rural economy

By Sara Pike, Director, CooperationWorks

LOOK AROUND.

What's in the news?

The media is flooded with stories about an economy still struggling to restore jobs lost in the recession, the high cost of living, wage stagnation and volatile gas prices.

But there are beacons of progress and hope, among them an increasing number of stories about the positive impact co-op development is having on our economy and within communities. It is work being supported, in part, by members of CooperationWorks, a network comprised by many of the nation's rural cooperative development centers. The impact of CooperationWorks (CW) is not just illustrated with stories of human triumph, but is proven in numbers.

During the past year, CW conducted a survey to measure the economic impact of our members' work, collecting data from 18 member development centers about business development performance and job creation. This survey is a continuation of a study conducted in 2009.

Hundreds of businesses launched

Between 2009 and 2011, CW Centers assisted in the development of 276 new businesses, of which 154 were cooperatives. During this period, 6,050 jobs were created or saved and — equally important — essential services were restored in many rural communities. Thus, for every \$1,362 in federal dollars invested in a CW Center in 2011, a job was saved or created.

The ability of CW Centers to impact both rural and, to a lesser extent, urban communities, is stretched by leveraging these federal funds. In 2011, \$2.84

million of non-federal funds were leveraged. Additionally, the CW Centers assisted their clients in securing \$79.7 million in federal funds between 2009 and 2011 (this amount includes a \$69.3 million federal loan secured by one Center to start a health care cooperative). The Value-Added Producer Grant Program (VAPG) was the most common source of funding for projects.

CW Centers typically work with clients for multiple years, relying on federal funding through the Rural Cooperative Development Grant (RCDG) program, administered by the Cooperative Programs of USDA Rural Development, for a significant portion of their annual revenue. The Centers that received RCDG awards for five or more consecutive years have developed more businesses and impacted a greater number of jobs. These centers are also better able to leverage a greater diversity of non-RCDG revenue sources.

The impact of CW Centers reaches beyond new co-op development and job creation. In 2011, the median CW Center used federal or matching funds to provide assistance to 85 businesses, 91 percent of them rural. Additionally, CW Centers offer non-job benefits, such as housing development and training/education. Three Centers alone helped create 780 housing units.

Measurable impacts for real people

Some recent projects supported by CW Centers reveal how these efforts have had a meaningful impact on improving lives and communities:

- In Parshall, N.D., the North Dakota Rural Electric and Telecommunication Development Center assisted in the

development of a new daycare center, creating six jobs. For one family, local daycare means their son no longer has to live with his grandparents (five hours away) because adequate daycare is now available in Parshall.

- The Center for Cooperative Forest Enterprises worked on a forestry restoration project that has led to the identification of 30 different products from forest byproducts, resulting in new businesses and job growth in the Southwest.

- The Food Co-op Initiative, with a staff of three, is in contact with more than 100 communities that are home to new, active retail food co-ops. It has produced a number of online resources to help these co-ops reach more people and have a greater impact (also see page 25).

- The Cooperative Development Institute, serving the Northeast, is working with farmers and consumers to restructure local food systems, giving consumers more access to fresh fruits and vegetables while helping improve income for small farmers (also see page 24).

- CW member centers in California have given an under-employed population economic stability that is leading to a stronger community with the creation of worker co-ops.

In these and many other ways, CW members leverage USDA funding to play a major role in the economy, making life better for families and individuals. ■

Newsline

Co-op developments, coast to coast

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

New agronomy unit at Southern States; co-op closing some stores, adding others

Southern States Cooperative is forming a new Agronomy Business Unit to better serve the needs of core agricultural customers. Southern States offers a range of products and services to help growers in the field.

“We have reorganized our wholesale crops division, with 67 retail stores located in 13 high-volume agronomy districts, to form the new Agronomy Business Unit. Our new growth strategy will enable us to be more streamlined and efficient from sourcing products to application in our farmers’ fields,” says Tom Scribner, Southern States president and CEO. “For years Southern States has been organized around wholesale and retail business units. To ensure we create great customer experiences, we are aligning our infrastructure and associates to meet the evolving needs of our farmer producers and rural lifestyle customers.”

As part of the multi-pronged strategy, Southern States will expand offerings with branded dealers, independent dealers and commercial accounts. Additionally, a small number of retail locations — about two dozen (or less than 2 percent) of its 1,244 retail stores in 17 states — are closing. Most of the store closures will be in northern Georgia and northern Alabama.

Additional retail stores, as well as independent dealers for Southern States-branded products, will be added in the future. Stores will focus on rural America customers in high-growth markets, including cow calf operators, equine customers, gardeners and rural



Southern States Cooperative has formed an Agronomy Business Unit to better serve its agricultural producers. Photo courtesy Southern States Cooperative

enthusiasts.

“As we celebrate our 90th anniversary, we are recommitting our efforts to provide farmers with the latest in technology and support,” says Scribner. “True to our mission of helping people grow things, it is our belief that an intense focus on the producer will allow us to meet and exceed our customer’s needs. The agricultural industry is changing rapidly, and we plan to be at the forefront of those improvements.”

Denver eyed for Ardent Mills HQ

CHS Inc., ConAgra Foods and Cargill have announced that their proposed joint venture flour milling company, Ardent Mills, plans to establish its headquarters in the Denver metropolitan area, contingent upon final application and approval of state and local incentives. The transaction is expected to be completed in late 2013,

following regulatory clearances, financing and the satisfaction of customary closing conditions.

A specific office location and operating date has not yet been set for the new headquarters, but the new company is expected to have a presence in the Denver area starting in 2014. “Selecting the Denver area as the home for Ardent Mills will allow us to offer great quality of life for employees, provide excellent service to our customers and position the business for long-term growth,” says Dan Dye, who currently serves as president of Horizon Milling and will lead Ardent Mills as CEO once the new company is formed.

Ardent Mills is being formed by ConAgra Mills and Horizon Milling, a Cargill-CHS joint venture formed in 2002.

NCB partnering with Spanish bank to bolster co-op sector

National Cooperative Bank (NCB), Washington, D.C., is teaming with Laboral Kutxa, the financial cooperative arm of Spain’s Mondragon Group, to build cooperative businesses throughout America. Mondragon is the world’s largest industrial, worker-owned and run cooperative, having been founded in the Basque region of Spain 55 years ago. It is the winner of the 2013 Financial Times “Boldness in Business” award.

The two co-op banks will collaborate to support each other’s customers, including subsidiaries of cooperatives operating in the United States that belong to Mondragon Group. Predicated on similar “doing well by doing good” principles, social responsibility values and a growing understanding that cooperative markets extend beyond borders, both entities have pledged to support each other’s customers with regard to charges, payments, financial services, online banking systems and other commercial banking practices.

NCB’s customers are cooperatives — including grocery wholesaler co-ops, food co-ops, purchasing co-ops, credit



Txomin Garcia Hernandez, president of Laboral Kutxa, and Charles Snyder, president and CEO of National Cooperative Bank (NCB), at a ceremony to announce that the two cooperative banks will be working together to support members. Photo courtesy NCB

unions and housing co-ops — that share in the spirit of working cooperatively to meet personal, social and business needs. Laboral Kutxa has 450 branches with 1.3 million customers. Mondragon is Spain’s tenth largest industrial group, with 80,000 personnel and a presence in 70 countries, including expanding operations in North America.

In 2009, Mondragon agreed to work with the United Steelworkers union to develop a hybrid union/co-op model that has since been adopted by unions in more than 10 U.S. cities. These projects range from an organic/sustainable farm to a commercial laundry and energy-efficiency business. Mondragon International USA is also partnering with the Ohio Employee Ownership Center (OEOC) and the City University of New York (CUNY) School of Law’s Community Economic Development (CED) Clinic to create “reusable” union-co-op business templates.

CVA, ADM joint venture to build Nebraska grain loading facility

Central Valley Ag Cooperative (CVA) and Archer Daniels Midland

(ADM) Co. have announced the formation of 81-20 Grain Terminal LLC, a joint venture that will construct a 5-million-bushel shuttle loader grain elevator near Randolph, Neb. The elevator will originate corn and soybeans from regional farmers, primarily for transportation by 110-car BNSF Railway shuttle trains to export markets via the U.S. Gulf Coast, Pacific Northwest and Southwest.

CVA and ADM will each own 50 percent of the grain facility, which will feature two receiving pits and one rail receiving pit, each capable of dumping 20,000 bushels of grain per hour. The facility will be located at the intersection of U.S. Highway 20 and U.S. Highway 81, three miles west of Randolph. It is expected to begin operating by fall 2014.

Pierce County — in which the elevator will be located — along with surrounding Cedar, Knox and Wayne counties — have all seen corn and soybean production increase dramatically since 2000. The facility’s location at the intersection of two major highways will provide the area’s producers with convenient access.

“Enhancing the ability of member-

***Rural Cooperatives* editor, four others saluted by ACE**

Citing his “crucial role in cooperative education over the past two decades as editor of USDA’s *Rural Cooperatives* magazine,” the Association of Cooperative Educators (ACE) has presented **Dan Campbell** with the 2013 Outstanding Contribution to Cooperative Education and Training award. The magazine, now in its 80th year, is dedicated to promoting understanding and use of cooperative businesses.

ACE credited Campbell for expanding the focus of the magazine beyond agriculture to also include other areas of cooperative innovation in the rural United States, as well as the role co-ops play in international economic development. “Under Campbell’s editorship, the magazine has become an excellent vehicle for sharing information and ideas among cooperators. He has kept the magazine relevant, shepherding the publication through changes in technology, changes in political administration and changes within the co-op movement itself,” according to nominators Bill Patrie, executive director of Common Enterprise Development Corporation in North Dakota, and Margaret Bau, cooperative development specialist with USDA Rural Development in Wisconsin.

The award was accepted on Campbell’s behalf by Miguel Ramirez of USDA Rural Development’s Puerto Rico office during the ACE Institute in San Juan, P.R., in August. Campbell’s acceptance remarks emphasize that the magazine is a team effort that involves the efforts of many people, not only at USDA, but in the larger cooperative community.

“All of us at USDA Rural Development who work on *Rural Cooperatives* magazine are deeply grateful to ACE for this award recognizing our work,” Campbell said. “Like ACE, our goal is to increase the use and performance of cooperatives. To receive this award from ACE — whose members have such dedication and passion for promoting cooperatives as a powerful self-help economic development tool — makes it doubly meaningful.”

The other award winners included:

Jesús Andrés Aranda won the Outstanding

Contribution to Cooperative Education and Training Award, acknowledging his nearly six decades as a cooperative leader. He was part of the Group for Critical Reflection and Cooperative Action Santiago Andrade (GRACSA) that developed the Manifesto of Castañer in the 1970s, which helped identify cooperatives as protectors of Puerto Rican culture and promoters of social justice.

William Patrie won the John Logue ACE Award, named in honor of a colleague who shared Patrie’s passion for cooperation and self-determination. For nearly 40 years, Patrie has helped people find cooperative solutions in farm and fish marketing, worker ownership, housing, energy production, communication services, healthcare and community regeneration. He is the author of “Creating Co-op Fever,” a guide for co-op developers, and “100 Stories of Hope,” about North Dakotans overcoming poverty, among many other

publications and articles.

Katie Campbell received the William Hlushko Award for Young Cooperative Educators (under age 36) for cultivating Aynah, a student organization that works for international cooperative development. Aynah, founded in 2010 on the campus of Iowa’s Luther College, helps develop cooperatives to meet community needs, including two water co-ops in Ethiopia. It also raises the profile of cooperatives on campus and is leading to curriculum changes to include courses about cooperatives.

Cooperativa de Seguros Múltiples de Puerto Rico (CSM), an insurance company, received a special ACE award presented to organizations or individuals who have shown extraordinary leadership as association members. The award coincided with CSM’s 50th anniversary in 2013.

ACE members are educators, researchers, communicators, students and developers of cooperatives and credit unions, primarily in Canada and the United States, including Puerto Rico. Its annual Institute allows members to learn from one another and the host region, and highlights new learning about cooperatives and credit unions. Learn more about ACE at: www.ace.coop. ■



Dan Campbell

owners to link to greater global marketing and transportation opportunities is what makes this joint venture so exciting,” says Doug Derscheid, president and CEO of CVA. “The new elevator — along with our global transportation fleet and network of customers — will provide additional marketing opportunities for regional producers, which can help add value to their crops,” adds Joe Taets, president, ADM Agricultural Services.

Established in 2003, CVA operates 25 grain facilities with a capacity of more than 45 million bushels of grain in central and northeastern Nebraska. The co-op has 365 employees who provide agronomy and grain and feed services to 10,000 farmers and ranchers.

Farmer Co-op Conference to focus on global, U.S. market trends

The 16th Annual Farmer Cooperative Conference, to be held Nov. 7-8 in Minneapolis, will offer expert analysis of the cutting-edge issues facing agribusiness cooperatives. Strategic issues being highlighted include global and domestic economic trends, policy updates, cooperative finance issues, productivity and integrated data analysis, and consumer-driven markets.

The conference attracts cooperative business leaders and industry experts who come together to share the latest in research and innovative approaches being used by agricultural cooperatives. The conference is organized by the University of Wisconsin Center for Cooperatives, with assistance from a planning committee of industry and academic experts.

“The topics are practical yet always explore the frontiers of the cooperative model,” says Phil Kenkel, the Bill Fitzwater Cooperative chair at Oklahoma State University. “The interaction between managers, directors, academics and other industry professions is truly unique.”

“As a longtime sponsor of the Farmer Cooperatives Conference,

CoBank appreciates the value the program provides to cooperatives that are continually searching out ways to deliver value to their member-owners in an unpredictable economic environment,” says Peter Rudeen, of CoBank’s Regional Agribusiness Banking Group. “We encourage cooperative leaders to attend the conference and to support its ongoing success.”

In addition to CoBank, support for the conference comes from: CHS, Dorsey & Whitney, Farm Foundation, GROWMARK, Land O’Lakes, Lindquist and Vennum, NCFC Education Foundation, Stoel Rives, CliftonLarsonAllen, Gardiner Thomsen and the Ralph K. Morris Foundation. The conference will take place at the Radisson Plaza Hotel in Minneapolis. For more information, visit: www.uwcc.wisc.edu, or contact Anne Reynolds at 608-263-4775 or atreynol@wisc.edu.

Minnesota electric co-op plans to acquire Alliant energy

Some 43,000 new electric customers will be welcomed into the cooperative family if Minnesota and federal regulators approve Alliant Energy’s plan to sell its Minnesota electric and natural gas distribution businesses. Alliant Energy Corp., based in Madison, Wis., announced that it has reached an agreement to sell its electric distribution service to Southern Minnesota Energy Cooperative (SMEC), a group of 12 locally owned and operated electric co-ops.

“Electric cooperatives already have a long track record of serving member-owners in this area of Southern Minnesota,” says Cooperative Network President and CEO Bill Oemichen. In fact, member-owned, not-for-profit electric cooperatives were usually formed because for-profit utilities thought it wasn’t cost effective to serve low-density areas with so few customers.”

The state’s 44 electric distribution cooperatives cover 85 percent of the geographic area in Minnesota. “If

approved, this deal will literally give power back to the people who use the cooperative’s services,” Oemichen adds.

Electric cooperatives are democratically run, so members have the opportunity to vote for directors; any revenues generated are returned to customers in dividends or improved services. Ownership changes from Alliant to the Southern Minnesota Energy Cooperative are likely to take effect in six to 12 months, assuming regulatory approval is granted.

DFA acquires Dairy Maid, expands fluid milk business

Dairy Farmers of America (DFA) has acquired Dairy Maid Dairy. Located in Frederick, Md., Dairy Maid is a family-owned processor of milk, juice and fruit drinks. Dairy Maid has been owned and operated by the Vona family since 1946 and is currently led by brothers Jimmy and Jody. The Vonas will continue to manage the day-to-day operations.

“The acquisition of Dairy Maid Dairy aligns with DFA’s strategy to increase its commercial footprint and expand ownership in the fluid and fresh dairy category,” says Rick Smith, DFA president and chief executive officer. “The Vonas have built a solid business and earned a reputation for quality products and superior service; it is business our dairy farmer member-owners can be proud of.”

Dairy Maid’s customers include major grocery chains, schools and governmental entities, such as prisons and military installations. Milk to the facility is supplied by a variety of sources including DFA, Maryland-Virginia, Lanco, Land O’Lakes, Cumberland Valley and Dairy Marketing Services.

Despite the change in ownership, there will be no disruption in operations. It is anticipated that Dairy Maid’s 110 employees will retain their positions and milk procurement will not be disrupted, ensuring quality products and service continue for Dairy Maid’s customers.

“We are pleased to be able to

Iowa co-op to produce cellulosic ethanol

Quad County Corn Processors (QCCP) in Galva, Iowa, has broken ground on an \$8.5 million biorefinery that will use new technology it developed to process corn kernel fiber into cellulosic ethanol. The new plant is being built next to the co-op's existing, 35-million-gallon-per-year corn ethanol facility.

The co-op is using ACE (Adding Cellulosic Ethanol) pre-treatment and fermentation process technology, developed by Travis Brotherson, plant engineer at QCCP. The company hopes to add 2 million gallons of ethanol production per year with the plant expansion.

"With the addition of this new cellulosic process, we will stretch the production capacity of each and every corn kernel that passes through our plant," says Delayne Johnson, Quad County's general manager. "We will increase our ethanol yields by 6 percent, increase our corn oil extraction three times over, while also creating a higher protein livestock feed. This is value-added agriculture at its best."

Renewable Fuels Association President and CEO Bob Dinnen called the new plant "great news for the biofuels industry," during the groundbreaking ceremony in August.

"I applaud Quad County for proving that the first and second generations of ethanol are literally 'bolted' together," Dinnen said. "The future is now and the

present is future. Cellulosic production will soon begin side-by-side with conventional ethanol. Delayne Johnson and his team are to be congratulated for their vision, determination and innovation."

QCCP received \$4.25 million from USDA and the Department of Energy as part of the Biomass Research and Development Initiative to develop the technology. The research and development process spanned four years.

The co-op plans for the new facility to be in operation by the spring of 2014; it will create five new jobs. "The greatest benefactors will be the Galva community, our shareholders, the ethanol industry and the consumer," Johnson said.

American Coalition for Ethanol's Executive Vice President Brian Jennings praised Quad County for likely being "the first production facility on the planet to produce corn and cellulosic ethanol from the same feedstock at the same site."

Added Dinnen: "Milestones like the one we celebrate today demonstrate the U.S. ethanol industry's barrier-breaking innovation and unparalleled ability to create jobs, particularly in small cities and rural communities all across the country." ■



Shovels are readied for the groundbreaking ceremony at Quad County Corn Processors, Iowa, where the plant is being expanded for cellulosic ethanol production. Photo courtesy AgWired

become part of the DFA family," says Jimmy Vona. "DFA shares many of the same values that my family does. This transaction ensures the business we have built over the past four decades will continue to thrive in the future."

Indiana grain facility rebuilding after explosion

Co-Alliance Cooperative is rebuilding a grain facility in Union Mills, Ind., that was the site of an explosion in June, resulting in the death

of one employee. The co-op hopes to have the facility open in time for grain deliveries this fall.

Safety inspectors with several agencies — including, the U.S. Department of Homeland Security,

Department of Homeland Security, Indiana OSHA (Occupational Safety and Health Administration) and the U.S. Environmental Protection Agency — determined that the explosion was caused by a heavy steel pulley that came loose and slid into a concrete wall. The conveyor kept operating, and the pulley continued to rotate. The resulting friction against the concrete wall generated enough heat to ignite grain dust in the elevator, resulting in an explosion.

James Swank, was on a work

platform outside one of the silos when the force of the blast caused him to fall more than 100 feet to his death.

United Cooperative subsidiary to merge with Hillsboro co-op

Members of Hillsboro Farmers Cooperative, based in Hillsboro, Wis., have voted in favor of a merger with a wholly-owned subsidiary of Beaver Dam, Wis.-based United Cooperative. “We look forward to serving these patron members with assets obtained through the merger, as well as future

equipment and facility investments already in the planning stages,” says David Cramer, United Cooperative president and CEO. The merger becomes final Oct. 1, 2013.

Hillsboro Farmers Cooperative’s projected revenue for the fiscal year ending Sept. 30, 2013, is about \$60 million. Hillsboro co-op has locations in Hillsboro, Kendall, Wilton, Yuba, Wonewoc, Ontario and Cazenovia. United Cooperative had sales of \$634 million in 2012. It operates feed, grain, agronomy, fuel, lubricant and propane

Co-op sales

continued from page 5

cotton, vegetables and dairy products.

Farm production expenses registered double-digit increases for feed and seed. Crop protectants, fertilizer and fuel sales increased 9, 6 and 2 percent, respectively.

Record net income (before taxes) of \$6.1 billion eclipsed the previous high of \$5.4 billion set in 2011. Net income was up almost 13 percent, \$700 million, from 2011.

Prices are expected to remain strong to slightly lower in 2013, but cooperatives should maintain a strong presence in the agricultural economy.

A closer look at the 185,000 workers employed by ag co-ops shows that the number of full-time employee was down by 1,600 from 2011, while part-time and seasonal employee numbers increased more 3,000.

The value of cooperative assets grew in 2012 by \$3.5 billion, with liabilities increasing by \$1.7 billion and owner equity gaining \$1.8 billion. Equity capital still remains low but is clearly showing an upward trend, with a 6.5-percent increase over the previous year.

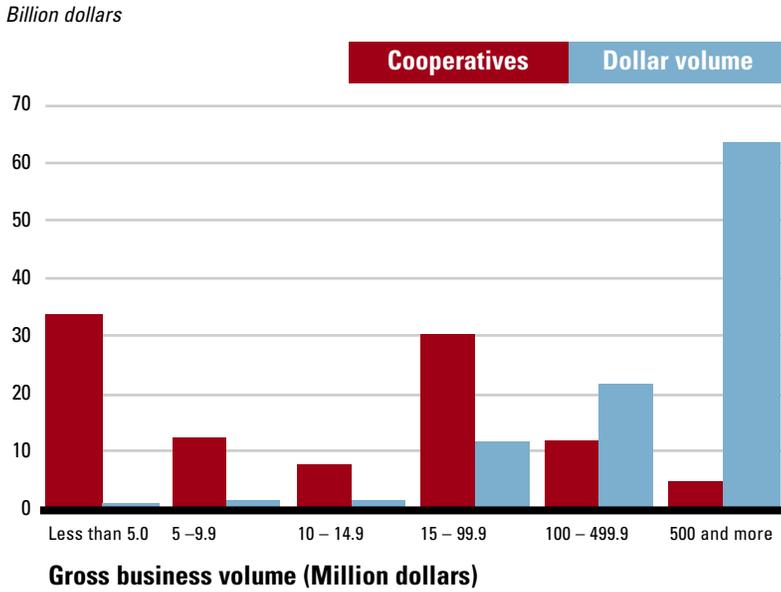
Patronage income (refunds from

Table 2

U.S. cooperatives net business volume, 2012 and 2011

Item	2012	2011	Change
	Billion \$		
Products marketed:			
Bean and pea (dry edible)	0.17	0.16	4.3
Cotton	3.08	3.98	-22.5
Dairy	40.17	40.67	-1.2
Fish	0.19	0.25	-25.2
Fruit and vegetable	5.75	5.57	3.2
Grain and oilseed	62.72	55.28	13.5
Livestock	4.02	4.23	-5.0
Nut	1.10	0.91	21.3
Poultry	1.45	1.30	11.7
Rice	1.56	1.56	-0.2
Sugar	5.34	4.76	12.2
Tobacco	0.12	0.25	-52.4
Other marketing	5.61	5.83	-3.8
Total marketing	132.04	124.75	5.8
Supplies purchased:			
Crop protectants	7.17	6.59	8.8
Feed	11.77	10.47	12.3
Fertilizer	14.11	11.93	18.2
Petroleum	22.91	20.32	12.7
Seed	3.20	2.90	10.4
Other supplies	5.70	5.57	2.3
Total supplies	64.85	57.79	12.2
Services and other income	4.72	4.44	6.4
Total business	201.61	186.98	7.8

Figure 2 — Distribution of Cooperatives and Volume, by Size, 2012



other cooperatives due to sales between cooperatives) increased by more than 46 percent, to \$899 million, up from \$613

million in 2011.

Farm numbers remained about the same as in 2011, with USDA counting

2.2 million in both years. The number of farmer cooperatives continues to decline — there are now 2,238 farmer, rancher and fishery cooperatives, down from 2,299 in 2011. Mergers account for most of the drop, resulting in larger cooperatives.

Producers held 2.1 million memberships in cooperatives in 2012, down about 7 percent from 2011. The number of cooperative memberships is slightly less than the number of U.S. farms, but this does not mean that almost every producer is a member of an agricultural cooperative. Previous studies have found that many farmers and ranchers are members of up to three cooperatives, so farm numbers and cooperative memberships are not strictly comparable.

Editor's note: Information for this article was compiled by the Cooperative Programs statistics staff of USDA Rural Development: Sarab Ali and E. Eldon Eversull. ■

Commentary

continued from page 2

agricultural land equivalent to an area the size of Indiana to permanent, non-farm development from 1982–2007. While the Great Recession may have slowed this conversion rate during the past few years, rebounds from past slowdowns in the housing and commercial real estate markets have shown that without careful consideration, the pressures to convert our farmland remain and will return.

These more traditional threats to our agricultural land base are now compounded by new demands on our soil resources, such as from mining and

oil and gas exploration. The permanent loss of farmland affects not only the productive capacity of these soils but also our associated agricultural businesses, our rural communities and our farm families.

As we witnessed in Wisconsin, leadership and a vision born out of the spirit and principles of cooperatives were the hallmarks of success. This same energy, resourcefulness and collaborative approach can be harnessed in other states to achieve similar thoughtful and practical results.

We welcome the opportunity and stand ready to work with leaders of cooperatives across the country to address the threats to our valuable agricultural land resources and to craft solutions that strengthen our family

farms and their communities.

Editor's Note: In 2011, the Gathering Waters Conservancy, a statewide service center for Wisconsin's land trust community, established the Rod Nilsestuen Award for Working Lands Preservation. The award celebrates an individual or organization that exemplifies Nilsestuen's extraordinary commitment to the preservation of Wisconsin's working lands. In September of this year, the award was granted to fellow National Cooperative Hall of Fame member and former American Farmland Trust Trustee Tom Lyon for his tireless dedication to and involvement in the passage and implementation of the Wisconsin Working Lands Initiative. For more about AFT, visit: <http://www.farmland.org>. ■

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October is Co-op Month. Americans have long worked together in cooperatives to meet challenges that were too big to overcome by themselves. Co-ops are a means for farmers and other people to attain economic and service benefits from businesses that they themselves own and control.

Today, co-ops are more relevant than ever. Help people in your community learn about the advantages of belonging to a co-op. **Spread the Word!**