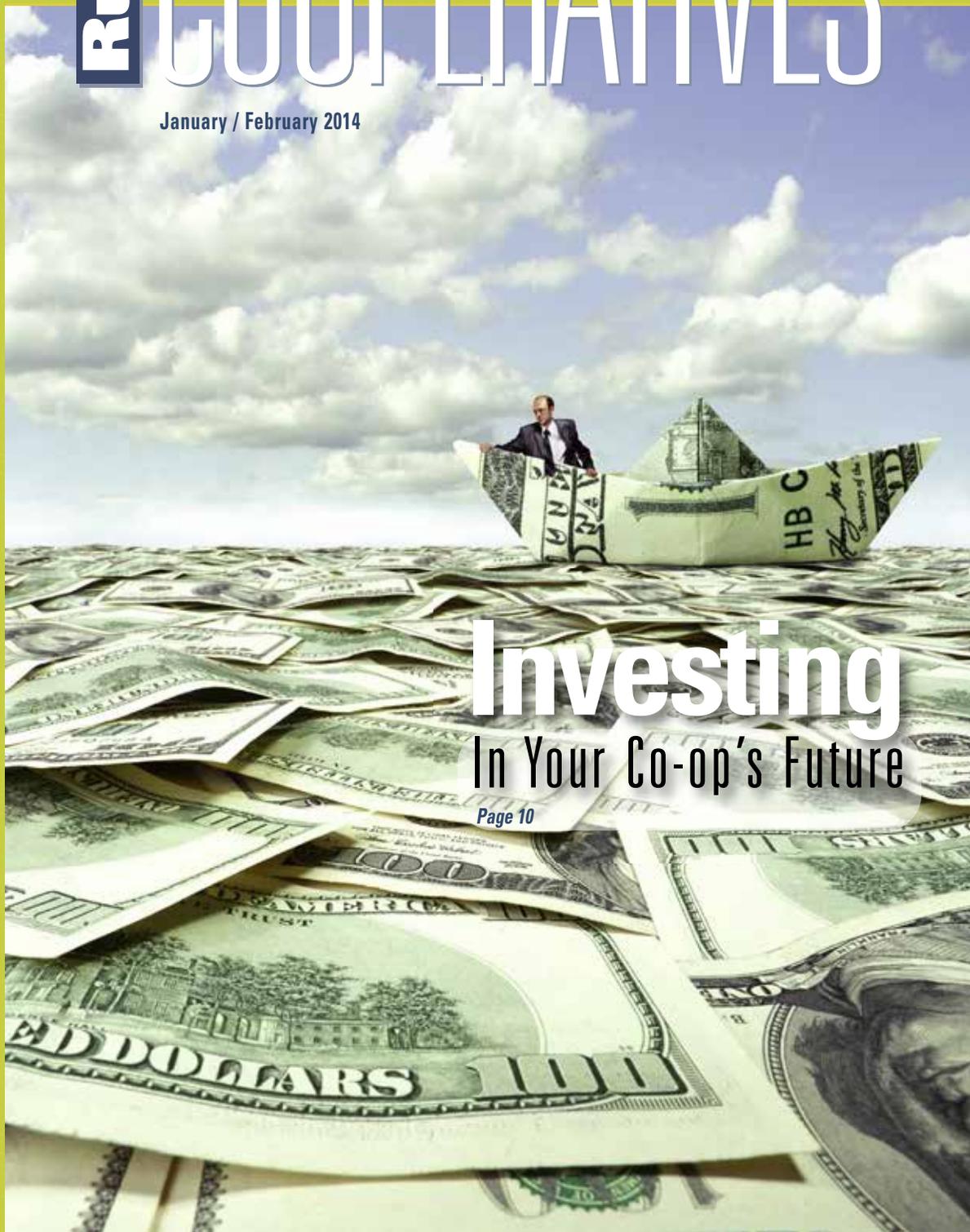


# Rural COOPERATIVES

January / February 2014



## Investing In Your Co-op's Future

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United States  
Department of  
Agriculture

# Commentary

## Ag co-ops remain strong

By Alan Guebert

**Editor's note:** This guest commentary is reprinted courtesy The Farm and Food File, Guebert's column that is published weekly in more than 70 newspapers in North America. Guebert can be contacted at: [agcomm@farmandfoodfile.com](mailto:agcomm@farmandfoodfile.com).

The weekly hometown newspaper recently brought news of a family friend's death. The friend, a dairy farmer, had lived a long, good life and was a respected member of his church, community and profession.

My family's connection, outside of cows and kids, was business: he, my father and a few dozen farmers in neighboring southern Illinois counties were members of a small farm cooperative through which they purchased inputs like feed and fertilizer.

Back then, 50 and more years ago, these very busy hog, cattle, dairy and grain farmer-members did all the cooperative lifting, light, heavy and in-between. They gathered orders, kept accounts and, often as not, used their own trucks, tractors and wagons to deliver their co-op brothers' purchases.

In fact, I saw our dairying family friend only three or four times a year. Once was always at the annual co-op picnic (think summer Sunday afternoon, grilled pork steaks, cream soda); the other times were when he left his never-done farm work to pick up and deliver soybean meal in his wheezing, single-axle truck to our farm.

How did he have the time to leave his hay-to-bale, silage-to-chop dairy to bring us our goods in his truck?

He didn't. He made time because that's what cooperative members did back then to aid the success of their shared enterprise and fellow farmers. It was — and is — the very essence of small "c" cooperation.

Others recall similar selflessness in other, bigger cooperatives. The Berry brothers, attorney John, Jr. and writer and poet Wendell, of Henry County, Kentucky, are eloquent, passionate explainers of the Burley Tobacco Growers Cooperative Association, based in their home state.

Neither defends tobacco because, as Wendell noted in a discussion of the Burley Association with his brother at a public forum last spring, "It's indefensible."

Both, however, vigorously defend the principles their

father, John, Sr., an attorney and farmer, and other burley growers employed to start, then manage, the cooperative. It was an essential tool, they explain, used by hundreds of thousands of farmers and generations of farm families in five states to maintain competitive markets, successful farms and vibrant rural communities.

The principles harnessed by Berry, Sr., my father, his Illinois' neighbors and many others continue to inspire cooperation today. According to the U.S. Department of Agriculture, 2,238 agriculture, ranching and fishery cooperatives and their 2.1 million members employed 129,000 full-time and 56,000 part-time employees while generating \$235 billion in sales last year.

Moreover, notes USDA in a recent issue of its "Rural Cooperatives" magazine, ([http://www.rurdev.usda.gov/SupportDocuments/rdRuralCoop\\_Sept\\_Oct13Vr\\_Web.pdf](http://www.rurdev.usda.gov/SupportDocuments/rdRuralCoop_Sept_Oct13Vr_Web.pdf)), today's farm cooperatives — like today's farms — run the gamut in size.

"While 31 cooperatives recorded more than \$1 billion in sales" in 2012, reports the magazine, "almost 34 percent of ag cooperatives (749) had less than \$5 million in sales."

But the four biggest ag co-ops, CHS Inc., Land O'Lakes Inc., Dairy Farmers of America and Growmark, are really big; their combined 2012 sales, \$76.7 billion, equaled one-third of all ag cooperative business last year.

Coincidentally, the number of cooperative members nationwide, 2.1 million, nearly matches the number of farms nationwide, 2.2 million, even after membership and co-op numbers dropped in 2012. Overall membership sank by 200,000, or 7 percent, and co-op numbers fell (mostly through of mergers) by 60.

But even as the number of traditional ag co-ops begins to trend lower, the number of non-traditional ag co-ops is beginning to bloom. In September, USDA's "Rural Cooperatives" magazine carried short, informative stories about a new peony-selling co-op in Alaska, the founding of two community "food hub" co-ops in Wisconsin and the recent start-up of a "wellness and yoga" co-op in rural Montana.

These newcomers are learning what the old-timers well knew: working together works. Or, as some of the folks in Hamilton, Montana, now say, "Namaste, partner." (*Editor's note: "Namaste" is a greeting used in India.*) ■

# Features

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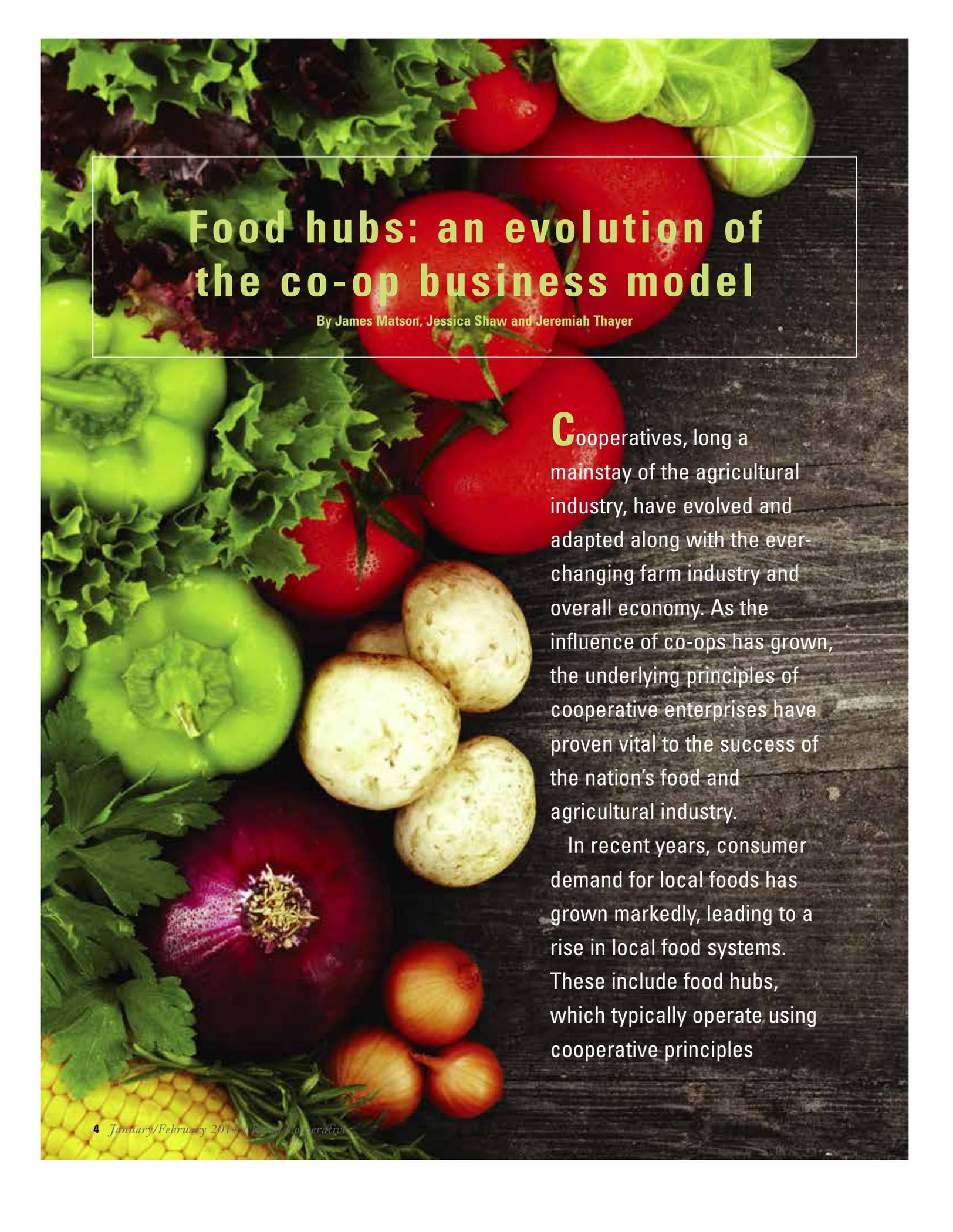
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**ON THE COVER:** How cooperatives raise capital to fund their operations was one of the major topics at the Farmer Cooperatives Conference, sponsored by the University of Wisconsin. See page 10.





# Food hubs: an evolution of the co-op business model

By James Matson, Jessica Shaw and Jeremiah Thayer

**C**ooperatives, long a mainstay of the agricultural industry, have evolved and adapted along with the ever-changing farm industry and overall economy. As the influence of co-ops has grown, the underlying principles of cooperative enterprises have proven vital to the success of the nation's food and agricultural industry.

In recent years, consumer demand for local foods has grown markedly, leading to a rise in local food systems. These include food hubs, which typically operate using cooperative principles

and which often have an urban and social/environmental mission focus.

By unifying agricultural producers, farmer co-ops can provide the scale, coordination and improved marketing system needed to help their members succeed. There is no universally accepted definition of a cooperative, and the laws for cooperative organization vary from state to state. So perhaps a cooperative is most easily recognized when it follows the three core co-op principles developed by USDA during a series of nationwide panels in 1986 (see sidebar, page 7).

Food hubs can be viewed as a natural progression in the application of these cooperative principles and ideals. They do more than simply address the needs of producers; food hubs incorporate a “triple bottom line” focus to better address the needs and demands of consumers seeking local foods.

Food hubs, driven by the cooperative spirit, expand the traditional concept of agricultural cooperatives to include other stakeholder groups in addition to producers. Food hubs represent a continued evolution of the cooperative ideal of producers working together to provide outlets for their products, while also addressing the concerns of workers, consumers and the community.

Increased profit for local producers and increased production can directly impact a community through the local retention of more food dollars.

However, community revitalization extends beyond simple economics; it is a result of an economic and social revitalization that fosters the long-term sustainability of a community-based food system.

### Emergence of food hubs

USDA’s Agricultural Marketing Service says a food hub offers “a combination of production, aggregation, distribution and marketing services [to] make it possible for producers to gain entry into new and additional markets that would be difficult or impossible to access on their own” (“Farmers Markets,” 2013). Although this definition focuses on the physical movement of goods, a food hub can also be defined by market-efficiency functions, in addition to more

abstract goals of building a diversified food culture.

Food hubs have blossomed in large part due to the “surge in buying locally produced foods and support for local agriculture” (Matson et al., 2013). Small-scale producers alone were increasingly unable to meet the growing surge of consumer demand for local food.

The growth in direct marketing channels — and the increasing number of farmers choosing to use them — is evidence of the rapid growth of local foods production and consumption. Producers are banding together and developing businesses to meet new opportunities to supply food to mid-sized wholesale operations — including institutions, restaurants and grocery stores — as well as individual customers.

Even in their short history, food hubs have proven highly adaptable — in size, scope and type of products offered — to meet the vagaries of consumer demand. Indeed, the term “food hub” exists more as a description of a number of functions than as a defined business structure. Thus, the term “food hub” is often applied to a continuously changing business model, transforming to satisfy the ever-changing demands of local consumers. This continuous adaptation has resulted in an increased focus on the social-mission aspects of many food hubs and their community interactions, as well as a movement to address



*The coordination services a food hub provides can extend the season of products. Larger crop volume and coordination of production can ensure a steady flow of product that helps to stabilize prices.*

**Editor’s note:** *The authors are all with Aiken, S.C.-based Matson Consulting, which for more than a decade has assisted in the organization and infrastructure design of local food hubs. It is currently working in cooperation with USDA and the Virginia Foundation for Agriculture, Innovation and Rural Sustainability to develop a U.S. Food Hub Operations Guide. Matson is the lead consultant for the business with 25 years’ experience in agricultural business development; Thayer is an associate who focuses on feasibility studies, business plans and marketing documents; Shaw is an editor and consultant.*

multiple stakeholder classes in a community.

Multi-farm CSA's (community supported agriculture), cooperatives and farm-to-table initiatives are just a few of the types of food aggregation ventures taking on the roles included in the USDA definition of a food hub. This flexibility allows many food hub ventures to meet their mission by providing more than fresh produce — such as locally slaughtered meats, value-added goods and locally finished food products.

### How food hubs embody co-op principles

Food hubs represent a continuation of the three main cooperative principles (as outlined in sidebar, page 7). They not only address the needs of producer-members, similar to the way agricultural cooperatives do, but they also address the needs and concerns of consumers through their inclusion as primary stakeholders. Multi-stakeholder co-ops are able to provide for **user-ownership** of the business by all stakeholder classes. Ownership leads to **user-control**, as each member-owner stakeholder class is integral to the overall direction of the entity. **User-benefits** are ensured as each stakeholder class has its needs met through the services of the business.

Sandhills Farm to Table Cooperative in Southern Pines, N.C., is an example of a multi-stakeholder co-op that allows producers, workers and customers to become owners in the organization. This diverse ownership allows all stakeholders to provide input into how the organization operates and helps ensure that it ultimately addresses the needs of each owner-class. Producers, workers and customers can work together toward the success of the co-op.

Based on their status as owners, the stakeholder classes can control the

various functions of the organization and receive benefits. Individual farmers and other producers are generally in the position of being price-takers. Food



*Increased profit for local producers and increased production can directly impact a community through the local retention of more food dollars.*

hubs can negotiate better prices for their producers, keeping more farmers in business and helping them expand production into new crops.

As with other types of cooperative, the user-ownership and user-control principles adhered to by food hubs means that they will also pass along other benefits to members. For example, food hubs allow producer-members to benefit by aggregating product and accessing larger volume markets. This aggregation often leads to greater control over pricing than they could achieve individually.

The coordination services a food hub can provide often result in an ability to extend the season of products, while larger crop volume and coordination of production can ensure a steady flow of product that helps to stabilize prices. Additional revenue can then be used to invest in infrastructure, such as greenhouses, which, in turn, can create a longer growing season. As an example, Fifth Season Cooperative in Wisconsin has capitalized on season extension opportunities by sourcing dairy, meat, and meat products from dairy-cooperative and meat-processing members, as well as more stable items

from local producers that can be stored for longer periods at the warehouse.

In addition to negotiating prices, food hubs often connect farmers with other non-farm businesses to meet a wide variety of mutual needs. Local Food Hub, located in Charlottesville, Virginia, offers an example of how food hubs can facilitate this connection between farmers and non-farm businesses. Since this food hub requires a clean water test from its producers, the food hub has partnered with water testing companies to provide reduced rates for producers in need of water testing. This is just one way some food hubs are helping reduce overhead costs for

producers and also lowering prices paid by consumers.

The aggregation function of food hubs benefits consumers and businesses by providing access to local foods that would normally be hard, or impossible, to acquire. The ability to provide access to additional outlets helps to connect local and regional growers with mid-scale buyers, including local grocery chains, restaurants and institutions, such as colleges, schools and government institutions.

Food hubs often provide education for producers on topics such as safe growing and crop handling practices; similarly, they help consumers learn more about food safety in the home, cooking and food preparation, as well as the benefits of a sustainable food supply and keeping more farmland in production.

### How food hubs expand on co-op ideals

The emergence and evolution of food hubs stems from an educational and social mission to unite consumers and producers in the marketplace. Although the main function of the food hub is to sell local foods to consumers,

## Cooperative Principles

These three “bedrock” cooperative principles were identified in 1986 by USDA, working with co-op leaders and educators nationwide:

**The User-Owner Principle** — The people who use a cooperative own it. As owners, the members of a cooperative are responsible for directing activities and driving the overall focus and mission of the cooperative towards its goal. Because they own the business assets, the members have the obligation to provide financing, in accordance with use, to keep the cooperative in business and permit it to grow.

**The User-Control Principle** — As owners, a cooperative’s members control its activities. This control is exercised through voting at annual and other membership meetings, and indirectly through those members elected to the board of directors. Members, in most instances, have one vote regardless of the amount of equity they own or how much they patronize the organization.

**The User-Benefits Principle** — Since the cooperative is owned by its members, they have the opportunity to receive services otherwise not available, get quality supplies at the right time, have access to markets, or for other mutually beneficial reasons. ■



*Food hubs can negotiate better prices for their producers, keeping more farmers in business and helping them expand production into new crops.*

food hubs provide a wealth of benefits for producers, consumers and the local community that extend beyond simply building a supply chain — benefits that become a part of the milieu of information extending beyond simple self-interest (Zaichkowsky, 1985) that

affects an individual’s purchasing decisions.

Food hubs are often highly committed to the co-op principle of service to community. For example, many studies have highlighted the positive impact that a shorter food

supply chain has for local communities and economies. Other studies have shown that local food supply chains create a web of interconnected economic, community and environmental benefits.

The ability to earn a profit is not always the primary underlying motivation for establishing a food hub. Food hubs that operate cooperatively aim to provide benefits beyond (and in some cases, instead of) simple economic returns. In these cases, the focus shifts from the producer to other social and environmental benefits. Research has shown that “an approach that allows preferences to influence decision-making makes people better off and proud to contribute to sustainability” (Polemini et al.).

Consumer demand for food traceability is a growing issue for the food industry. Food hubs — by shortening the food supply chain — can increase the ability to trace food to its origin. This is just one way food hubs enhance communication between producers and consumers.

### Food hubs as a tool for community revitalization

While the primary focus of farmers is on attaining financial stability by finding markets for their products, food hubs address the concerns of mid-scale producers while establishing values-based food value chains. These values-based food chains “encapsulate the dual goals of creating economic value through product differentiation and advancing a particular set of social, economic or environmental values through collaborative supply chains that exemplify the broader trend of social entrepreneurship...” (Diamond and Barham, 2011). These “collaborative supply chains” imply a philosophy of shared responsibility between producers and consumers (Janssen 2010).

One area where food hubs have the potential to significantly impact communities is by addressing the needs

*continued on page 37*

# Utility Co-op Connection

## USDA works with co-ops on \$250 million energy-efficiency effort

By Anne Mayberry, Public Affairs  
USDA Rural Utilities Service



America's rural utilities will soon have access to \$250 million in funding from the U.S.

Department of Agriculture's Rural Utilities Service (RUS) that can provide a financial boost to their energy efficiency and renewable energy programs. Agriculture Secretary Tom Vilsack announced final regulations for the new Energy Efficiency and Conservation Loan Program Dec. 4. "This program will help build a cleaner and more sustainable domestic energy sector for future generations by reducing barriers to investment in energy efficiency and potentially cutting energy bills for American families and businesses in the process," said Vilsack.

The program (scheduled to become final Feb. 3, 2014) will make loans available to RUS borrowers to implement various energy efficiency and conservation measures, which can reduce energy costs for consumers. Typical funding uses include demand-side management to more efficiently control the use and cost of power, energy efficiency/conservation programs, and on- and off-grid renewable energy systems.

### 40 percent savings possible

Rural electric cooperatives have a successful history of promoting energy efficiency; many have collected data to measure the success of a variety of activities. "Energy efficiency retrofitting can shrink home energy use by 40 percent, save money for consumers,



*Electric co-ops play a major role in educating consumers about ways to lower their energy bills, through means such as adding insulation and sealing air leaks. USDA's Rural Utilities Service is providing additional funding that will help co-ops make loans to members for energy efficiency improvements to their homes and businesses. Photo courtesy National Rural Electric Cooperative Association*

reduce emissions and strengthen rural economies," Vilsack said.

Goals of the new Energy Efficiency and Loan Conservation Program include funding projects to increase energy efficiency for consumers (saving them money) and modifying electric load to reduce system demand. Other goals include the more efficient use of existing distribution, generation and transmission facilities; encouraging the use of renewable fuel sources; attracting new businesses and creating jobs. In announcing the program, Vilsack said "Ultimately, reducing energy use helps pump capital back into rural communities. This program is designed to meet the unique needs of consumers and businesses to encourage energy efficiency retrofitting projects across rural America."

USDA Rural Development Deputy Under Secretary Doug O'Brien said that the new program will make more capital available to expand energy efficiency programs. "While energy

efficiency measures can reduce home energy use considerably, many consumers and businesses do not invest in them because they lack the capital or financing to do so," O'Brien said. "Consistent with President Obama's Climate Action Plan, this program will reduce barriers to these investments by making financing more available."

National Rural Electric Cooperative Association (NRECA) CEO Jo Ann Emerson said the new rule will provide financial assistance for co-op energy efficiency programs. "Electric cooperatives welcome this new financing tool that will allow co-ops to help their members overcome the biggest hurdle to energy efficiency upgrades: cost," said Emerson. She added that 96 percent of member-owned, not-for-profit cooperatives offer energy efficiency programs to help their members save money. "Co-ops may lend RUS funds to consumers to undertake their own efficiency upgrades. Consumers may have the

ability to repay the loan through on-bill financing.”

Investments eligible for funding include:

- Building weatherization;
- Heating and cooling system upgrades;
- Ground-source heat pumps;
- Lighting;
- Small-scale renewable generation, and
- Energy audits.

### Leveraging with other USDA programs

Utilities may relend funds to consumers or finance their own activities. These loans may be serviced directly by RUS borrowers or financial institutions. Under the program, consumer loans are capped at 1.5 percent above the interest rate from RUS to the borrower. Rural Development's Rural Business-Cooperative Service (RBS) and Rural Housing Service (RHS) have programs that can be leveraged with energy efficiency funds.

South Carolina Electric Cooperatives' work on energy efficiency has already leveraged another Rural Development program, and achieved significant results. In this case, the "Help My House" pilot was launched by Central Electric Power Cooperative,

Cooperative worked with several groups and government agencies — including USDA Rural Development — to design, fund and administer the program. USDA's Rural Economic Development Loan and Grant Program (REDLG) provided loans to fund the "Help My House" projects.

The results of the South Carolina program were impressive, with reductions in electric use averaging 34 percent. U.S. Rep. James Clyburn, who has been instrumental in promoting energy efficiency, says energy efficiency programs have delivered benefits to rural areas in South Carolina. "This announcement will mean jobs in rural communities, significant utility savings for rural homeowners, and environmental benefits for all Americans at little cost to taxpayers. This is a loan, not a grant, and enables working families to finance energy-efficiency investments in some of the nation's most persistent poverty areas."

Expanding energy efficiency and renewable energy programs in rural areas not only helps residential and commercial consumers reduce their use of electricity, but can also help rural electric cooperatives avoid the purchase or construction of additional electric generation. Steve Smith, president and

provides environmental benefits while contributing to U.S. energy independence."

Hoosier's program includes distributing more than 1,400 compact fluorescent lighting fixtures to replace incandescent bulbs and increasing efficiencies of heating, ventilation and air conditioning (HVAC) systems, all by using strategies to offset incremental cost differences. Last year, the cooperative increased incentives for commercial and industrial customers to reduce demand during Hoosier's peak load cycles, according to Tom Van Paris, vice president of Hoosier Member Services and Communications and a speaker at USDA's 2013 Ag Outlook Forum. "We offer our consumers tools to better manage their electric bills in an era of rising rates, and we work to help defer the need for new capacity, which can be costly," Van Paris told the audience.

### Study: \$1 trillion savings over 10 years

Several studies have pointed to the economic benefits of energy efficiency programs — not just in the savings for consumers, but also in the long-term effects on energy use. A March 2012 Rockefeller Foundation report on financing energy efficiency projects found that a \$279 billion investment could return more than \$1 trillion in energy savings over 10 years.

"Energy efficiency programs save money, curb emissions and help boost rural economies, based on the experience of rural electric cooperatives nationwide," O'Brien noted in discussing the new program. "Rural communities may see an increase in these programs to help fund affordable, energy-efficient improvements for rural business and residential consumers now that this rule is final."

Additional information on the Energy Efficiency and Conservation Loan program is available from the RUS website: [http://www.rurdev.usda.gov/UEP\\_HomePage.html](http://www.rurdev.usda.gov/UEP_HomePage.html). ■

*“Electric cooperatives welcome this new financing tool that will allow co-ops to help their members overcome the biggest hurdle to energy efficiency upgrades: cost.”*

a wholesale power provider in South Carolina, in response to its board's adoption of a 10-percent target reduction in residential energy use within 10 years. This is coupled with the goal of reducing average wholesale power costs for residential customers, while maintaining or improving member satisfaction.

Because many of the co-ops' consumers across the state lacked funds to invest in energy efficiency improvements, Central Electric Power

CEO of Hoosier Energy, a generation and transmission cooperative that supplies power to 18 rural electric cooperatives that serve nearly 300,000 consumers in Indiana and southeastern Illinois, said his co-op is among the utilities that have developed metrics to measure success.

"Using energy efficiently empowers rural consumers to better manage their energy bills as costs rise," Smith said. "At the same time, co-op members like being part of a larger effort that



# Investing In Your Co-op's Future

## Key finance, marketing issues examined during Farmer Co-ops Conference

**By Lynn Pitman, Outreach Specialist**  
University of Wisconsin Center  
for Cooperatives

*Editor's note: Many of the presentations made during the Farmer Co-op Conference are posted online at: [www.uwcc.wisc.edu](http://www.uwcc.wisc.edu). That website will also carry periodic updates about the next conference, which will be held Nov. 6-7, 2014, in Minneapolis.*



How does an agribusiness cooperative provide value to its member-owners? The more than 160 people who attended the 16th annual Farmer Cooperatives Conference in Minneapolis in November were able to explore that perennial question from a variety of viewpoints.

### **Investing for the long term**

Capitalization presents unique challenges for agribusiness cooperatives,

and a discussion of alternative opportunities for finding capital launched the conference this year. Ronald McFall, a partner with the Stoel Rives law firm, provided a review of debt and equity instruments through the lens of securities laws. Changes to the safe harbor exemption for securities registration may present an opportunity for cooperatives to expand their securities offerings, he noted. The exemption's ban on public solicitations will not apply if sales are made only to accredited investors and if reasonable



steps have been taken to verify accredited investor status.

Carl Casale, president and CEO of CHS Inc., provided insights into the capitalization strategies for this Fortune 100 cooperative. Strong earnings growth has supported the expansion of CHS' global reach. The co-op now is seen as a "tier-one" supplier by its customers. By becoming a strong international player, CHS has made its owners relevant to the global market.

The challenge for CHS, he said, is to continue to build the permanent capital

needed to invest in assets that are beyond the reach of an individual farmer. Casale, a veteran of the 90-day cycle that drives a publicly traded company, contrasted those investor-driven demands to the "long view" that cooperatives can take by virtue of their "patient capital" equity structure. But sourcing cooperative permanent capital can be challenging.

Many cooperatives use earnings from non-members as a source of permanent equity to support growth. Casale noted that cooperative businesses can run into trouble if they stray from their core business. Because CHS members are responsible for 70 percent (and trending upward) of the co-op's earnings, non-member business is not seen as a source for equity growth.

Debt, especially in these times of low interest rates, presents another source of capital for growth. However, market volatility makes liquidity very important. Allocated member equity is an important part of a healthy balance sheet, but it can't be considered permanent equity. While the co-op is not obligated to return the equity, the expectation among members is there. CHS has chosen to use "no-call" preferred stock offerings to build the permanent equity portion of its balance sheet.

Jeff Stroburg, president and CEO of West Central Cooperative in Iowa, described his co-op's approach to growth equity. West Central began offering a dividend-bearing stock in 2005. It is one of four different types of allocated stock that the co-op issues to provide flexibility in both revolving patron equity and maintaining equity for growth.

Qualified allocated equity is retained by issuing a class of revolving patronage stock. It is redeemable into the dividend-bearing stock after 7-10 years. The dividend on that stock is currently 8 percent and is available for redemption any time, subject to board approval. It is only issued to revolve patron equity and cannot be purchased.

To provide an incentive to members to keep their equity invested in the co-op, West Central sets the rates based on maturity date. Dividends are taxed at the capital gains rates and are not subject to self-employment taxes. The dividends are sourced from non-member business, which provide a way in which members can also directly benefit from this revenue source.

The program must be managed to balance liquidity needs to meet potential redemption activities against the needs for working capital. Stroburg mentioned the potential feasibility of a public market for cooperative stock, which would provide holders of the stock liquidity independent of the cooperative.

### **Changing ownership structure**

Ireland's Glanbia Cooperative Society illustrates another approach to balancing outside investment, growth and the optimum deployment of owner equity. Michael Boland, professor at the University of Minnesota, provided background on the co-op, which was created through the merger in the 1990s of two dairy cooperatives.

Each cooperative had owned a value-added firm, and when the cooperatives merged, so did these firms, creating Glanbia plc (a public limited company, which is equivalent to a publicly traded company in the United States). Glanbia Cooperative Society was the largest shareholder in Glanbia plc, which is an international marketer and manufacturer of cheese and other consumer dairy products, sports nutrition products, protein and micronutrient products, as well as farm supplies.

In 2008, when the European Union announced that milk quotas would be repealed in 2015, a large number of dairy co-op members began to push for expanded processing facilities to accommodate an expected increase in farm production. However, this conflicted with Glanbia plc's focus on

value-added, high-margin production, which did not require large amounts of milk for its markets and which were increasingly located outside of Ireland.

The pressure to return earnings to shareholders and for debt servicing from earlier expansions, as well as the demand for equity retirement payments (for both retiring and current farmers) also created competition for a share of the earnings.

In 2010, members narrowly rejected a proposal to acquire the Dairy Ireland division of Glanbia plc, dilute its membership stake in the plc to 10 percent and use the cash raised to build dairy processing and agricultural assets. Those opposed to the proposal did not

restructuring was to increase processing capacity in Ireland, benefitting Irish farmers. While co-op member control

the tax treatment of cooperatives).

The impacts of domestic policy on agribusiness continued to be explored



*Co-op capitalization strategies were discussed by a panel of (from left): Ronald McFall, of the Stoel Rives law firm; Jeff Stroberg, president and CEO of West Central Cooperative; and Carl Casale, president and CEO of CHS Inc. Photo Courtesy University of Wisconsin. Ireland's Glanbia Cooperative Society (GCS) was discussed to provide an example of another approach to balancing outside investment, growth and the optimum deployment of owner equity. The co-op's cheese innovation center is seen on facing page. Photo courtesy GCS*

“In situations this complex, the trust between the CEO and the board chair is critically important because it encourages frank discussion and makes sure there are no surprises.”

want to give up their control of the plc and to lose the potential returns on investments they had made in it.

The plc's stock price continued to rise, and in 2012 the co-op and plc announced a new proposal. Glanbia plc would form an LLC with the co-op for a joint venture to build a dairy processing plant in Ireland, controlled by the Glanbia Cooperative Society. To help finance the plant, the co-op would sell a portion of its plc holdings, ending its majority position. Proceeds would also be used to pay off long-term debt and retire equity. The plan was finally ratified at the end of 2012.

Boland interviewed Glanbia Co-op board chair, Liam Herlihy, about the restructuring. Herlihy noted that the challenge was the trade-off involving control of the plc vs. value that could benefit members. A major goal of the

of the plc has been diluted from 55 percent to 41 percent, the vote was ultimately successful because it gave something to everyone.

In situations this complex, the trust between the CEO and the board chair is critically important because it encourages frank discussion and makes sure there are no surprises. Herlihy also noted that outside directors were an important addition to a board, bringing in skill sets that are needed for growth.

### **Policy landscape**

Chuck Conner, president and CEO of the National Council of Farmer Cooperatives, said efforts to simplify the tax code will continue to be contentious. A preliminary plan floated by the Senate finance committee called for a repeal of Section 199 deductions, but not Subchapter T (which describes

with a panel discussion on ethanol, moderated by Michael Weaver, a partner at the law firm of Linquist & Vennum. The panel included Jim Miller, vice president at Growth Energy, which represents ethanol producers and supporters; Greg Krissek, manager at Kennedy and Coe, a consulting firm; and Rick Schwarck, president of Absolute Energy, which owns an ethanol plant in Iowa. The panel members presented their views about the positive effects of the ethanol mandates on the agricultural economy.

### **What's ahead for economy?**

A look at the increasing impact of China on U.S. agriculture and agribusiness cooperatives was provided by Dermot Hayes, professor at Iowa State University. Historically, the Chinese have compensated for their

geographical constraints — such the relative scarcity of good farmland in the eastern part of the country — through intensive labor on marginal lands and a diet that wastes very little. As the country grows and becomes more prosperous, this strategy has become increasingly challenging.

China's current leadership has been open to a more free-market approach to agriculture. Continued increases of imported soybeans, corn and livestock — the production of which is considered an inefficient use on much of its agriculture land — would allow rural populations to move to urban centers and bolster the workforce there. China's growth has already had a



substantial impact on Midwest U.S. agriculture. Hayes said that due to this demand, and for other reasons, the economic outlook for Midwest agriculture remains very strong.

Joseph Mahon, economic analyst with the Federal Reserve Bank of Minneapolis, said that the domestic economic situation for agriculture continues to be positive. Federal Reserve District 9, which encompasses

## The long view of a changing world

By John Shutske, Associate Dean

College of Ag and Life Sciences, University of Wisconsin

Last month, I had the opportunity to be in Minneapolis for a couple days at the Farmer Cooperatives Conference hosted by the University of Wisconsin Center for Cooperatives. I was particularly interested in an after-dinner presentation on the first night, which touched on the major challenges that the world faces in feeding a growing global population.

Steve Radelet, who recently joined the faculty of the School of Foreign Service at Georgetown University following his service as chief economist for USAID, discussed *"The Great Era of Global Development."* Radelet talked about the worldwide economic and human progress during the past 50 years, which has been unprecedented in human history. In just 20 years, billions of people have been lifted out of poverty and hunger.

In just 20 years, billions of people  
have been lifted out of poverty  
and hunger.

But most inspiring was Radelet's discussion of the role that democratic ideas, leadership accountability and economic freedom have played in the progress made by developing countries.

Not all countries have equally participated in these past few decades of progress. And this progress could face significant setbacks, or even be derailed, by a major global conflict or environmental catastrophe. But ideals of freedom, democracy, accountability and transparency do clearly work. This discussion reminded me that we see many of these principles and ideals embodied in the work of cooperatives.

Radelet's discussion has also inspired me to think about the role of land-grant universities, such as ours. President Abraham Lincoln signed the Morrill Act of 1862, leading to the formation of our colleges that housed agriculture programs and other educational, research, and eventually extension programs. He and leaders before him clearly understood that education was, and remains, an important pillar to freedom and democracy.

As our world continues to progress, we will need to adapt in entirely new ways because of issues such as climate change, emerging human (and animal) health concerns, and the continued forces and implications connected to a more globalized economy.

I am confident, however, that our science and educational programs will keep pushing forward. It is also clear that the role of cooperatives and the ideals that Radelet described as being so successful in improving the human condition have only upside growth potential. ■

most of the Midwest, weathered the recession better than other regions, in part because of the strength of the agricultural sector.

Overall, the 2014 forecast for the 9th District is similar to 2013, with the economy likely to enjoy a moderate recovery. Farm income has remained steady, and while crop prices overall are down, land values and rents are still climbing, Mahon said.

### **Global and consumer-driven impacts**

Molly Jahn, a professor at the University of Wisconsin-Madison, looked at future demand trends and the likely impacts on production agriculture. Farm output in 2008 was 158 percent above production in 1948, and now food systems can meet the needs for global per capita caloric sufficiency. But evolving pests and diseases constantly challenge these gains, and continual research is needed to keep up. Furthermore, the current food system is causing critical resource degradation in many areas.

Noting the historical correlation between civil instability and food prices during this time of increased

There are a variety of strategies to deal with these challenges, including agricultural innovations that increase crop resiliency, productivity and efficiency, as well as reduce greenhouse gas emissions. Carefully matching crops to environments, for instance, can optimize nutrient and water use.

Cooperatives are uniquely positioned to play a role in this shift. There is a developing need for tools that allow producers to manage more complex sustainability trade-offs, Jahn said. By aggregating and sharing producer data, cooperatives can create knowledge-based assets that will support sustainable outcomes for all.

### **Consumers putting more demands on industry**

Christine Walsh, vice president with Point Zero Retail, a research and marketing agency, talked about sustainability from a consumer-demand perspective. Producer cooperatives have focused on operational efficiencies rather than the influence that consumers play in the market place. Consumers are more engaged than ever, and the transparency that they expect from producers of their food is no

comparative product information for making purchasing decisions. These include more information about nutrition, production methods and sourcing. Producers need a variety of strategies to meet consumer demands for information at the retail level.

### **“Pretty big data”**

Data, whether used to inform consumers or to assess the trade-offs in complex decision-making, represent a critical asset for co-ops. Knowing where data comes from, and how it is captured, is important. George Olney, chief operating officer of iRely, a provider of enterprise software for commodity management, described the process of implementing new data collection software systems. These new systems are also the basis of potential data-sharing arrangements that could support metrics, risk management and trend analysis.

Larry Romuald, treasurer of Cooperative Resources International (CRI), a livestock breeding co-op, described the implementation of one such system. The co-op has been using a patchwork of old software programs that was not keeping pace with the co-

“By aggregating and sharing producer data, co-ops can create knowledge-based assets that support sustainable outcomes for all.”

agricultural productivity, Jahn said that maximizing productivity does not always equate to food security. Jahn said her work with the International Commission on Sustainable Agriculture and Climate Change has focused on developing recommendations to help balance agriculture-induced climate change, food needs for a growing global population and climate constraints on food production.

different than the transparency that they expect from other businesses or government, Walsh said.

She reminded the audience that agricultural producers are not being “picked on.” Consumer demand for information about issues they care about spans many sectors and will likely only grow.

Walsh highlighted several new tools now available to consumers that provide

op’s growth or the increasing complexity of its domestic and international operations.

CRI identified important strategic capabilities that could only be met by new enterprise software systems, and that would justify the substantial time and budget commitments required for implementation. The three-year project will be launched in the spring of 2014. ■

# In the Spotlight

## Life Lessons



By Jerry Kozak

***Editor's note:** Jerry Kozak stepped down Dec. 31 after 16 years a president and CEO of the National Milk Producers Federation (NMPF). He shares his insight in this final column he wrote for NMPF's member newsletter.*

*NMPF consists of 31 cooperatives that produce the majority of the U.S. milk supply, making NMPF the voice of 40,000 dairy producers on legislative issues. Since 1991, Kozak has also served as executive director of the American Butter Institute and was the first American to serve as president of the International Dairy Federation, based in Brussels, Belgium, from 1996–2000. Kozak was senior vice president of the International Dairy Foods Association in Washington, D.C., from 1989 to 1997. Prior work included service with the U.S. Food and Drug Administration, where he was chief of the Milk Safety Branch from 1984 to 1988, and then director of its Division of Cooperative Programs from 1988 to 1989.*

Of all the decisions any of us make professionally, the two most important are whether to take a job, and then when to leave it. Sixteen years after deciding to become president and CEO of the National Milk Producers Federation, I've chosen to retire at the end of the year — which means this is my last column for NMPF's *CEO Corner*. So, all my big decisions have been made.

Rather than offer a recitation of memorable moments (there have been many cherished ones with people in this business) or a list of regrets (as that other singer from New Jersey famously said, "I've had a few, but too few to mention"), allow me to offer a few parting observations about the lessons I learned at NMPF and how they shaped the past 16 years working for the organization's members and the dairy industry.

**How you define consensus can give you everything, or nothing.** The tendency among most organizations, particularly trade associations led by a board of directors, is

to define consensus as getting everyone to be in accord on a particular position. But if it's a tough issue, waiting for 100 percent alignment can paralyze the organization and neutralize its effectiveness.

That was the situation I found when I came to NMPF in 1997. One of the first things I said was that striving for consensus is incredibly necessary, but defining it as a situation where everyone has to be completely happy is a mistake. Hard choices never lead to complete harmony, but as long as people have input into the process and contribute their two cents, an organization then needs to move forward in order to be effective.

This belief roiled the membership in my first few years at NMPF, but made my job easier in the long run.

**Credibility is your credit.** NMPF doesn't sell products; rather, it offers ideas to our industry and to policymakers. Nevertheless, any marketing effort involves getting people to buy into the ideas you're selling. In order to gain traction in the world of ideas, they have to be credible. They must be based on sound science, and the economics have to be clearly understood. To the extent that we've had success in the past 16 years, it's because we have not advocated positions that weren't defensible and credible. The legislators and regulators we've worked with have appreciated that we have grounded our ideas in the facts, not in ideology or mythology.

And we have gained greater traction over time, and gotten more credit, because we could back up our ideas with the facts. Making a convincing case — making the sale — the second, third, or 100th time is only possible if you have a reserve of credibility from delivering on your word the first time.

**Proactivity uses less energy than reactivity.** While there's some value to the notion that if it ain't broke, don't fix it, it's also true that it's far easier to change things before they're completely broken. One thing I did at NMPF is to identify areas where we needed to make changes, to learn and

*continued on page 37*

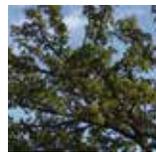
# Co-ops & Community

## Restoring a Living Landmark



**By Paul Newton**  
pnewton@ruralmissouri.coop

*Editor's note: This article is reprinted courtesy Rural Missouri ([www.ruralmissouri.coop](http://www.ruralmissouri.coop)), the member publication of the Missouri Association of Electric Cooperatives. Newton is the magazine's field editor. 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](mailto:dan.campbell@wdc.usda.gov).*



A normally quiet, country road in Boone County was bustling with activity recently as volunteers, electric cooperative crews, arborists and others worked to give a central-Missouri landmark some much-needed care and attention.

The overall condition of the more than 350-year-old McBaine Bur Oak, simply known as "The Big Tree" to locals, has been in decline lately, and sixth-generation property owner John Sam Williamson, Jr. says the work was needed.

"The drought last year was hard on it," says the Boone Electric Cooperative member. "It's genetically superior, or it

*A 350-year-old bur oak tree that rises up majestically in Boone County, Mo., has survived centuries of floods, droughts and lightning strikes. Below and opposite page, arborists and co-op staff take steps to help ensure that the tree continues to be enjoyed by future generations of the "Show Me" state. Photos by Paul Newton, courtesy Rural Missouri*

wouldn't have lived this long. But it's also been really lucky. It's had floods, droughts, lightning strikes and a lot of things that could have killed that tree, but didn't."

Arborist Bill Spradley of Kirkwood served as the general contractor for the care of the tree, which sits between the Katy Trail and the Missouri River southwest of Columbia. On Oct. 22, crews from Spradley's company, Trees, Forests and Landscapes Inc., Cuivre River Electric Cooperative, Boone Electric, the Missouri Cooperatives Right of Way Management Association and the city of Richmond Heights spent the day pruning deadwood, installing lightning protection and applying treatment to and around the tree to enhance growth and inhibit future deterioration.

"What we have found from the first time we were here was there are more people connected to this tree than we ever had imagined," says Spradley, who first worked on the tree five years ago. "Whether it's high school kids gathering here, wedding proposals, motorcycle riders that come back year after year, we just thought it was important to keep this going because of the connection people have with it."

At first glance, the tree seems out of place. The branches of the sprawling bur oak, which was already more than 150 years old when the Show-Me State was admitted to the union, stretch well above anything else on the surrounding farmland. The tree dwarfed the 70-foot-tall elevator lifts brought in to work on it. Crews had to rely on secured ropes and their best tree-climbing skills to get to the top.

In addition to Cuivre River and Boone Electric donating their time and equipment for the day, the Missouri Cooperatives Right of Way Management Association purchased nearly \$1,700 worth of hardware used for lightning protection on the tree.

"The lightning protection is really important because we can do all this work to prolong the life of the tree, but one strike and it would be a quick kill," Spradley says. "Lightning could hit at any time."

Scott Skopec, Cuivre River Electric's supervisor of right-of-way maintenance, says the right-of-way association, which



donated money to plant trees in Joplin last year, heard about the needs of the tree and felt it was a worthy cause.

"We have to cut and clear a lot of trees," he says. "This is an opportunity that we can give back to the community for a tree that so many people love and come to admire and see."

The Missouri state champion and national co-champion bur oak has been a destination for visitors for some time, according to Williamson, whose family has owned and farmed the land the tree occupies since 1835.

"There are a lot of stories about things that have happened under the tree, some of them good, some of them bad," Williamson says. "Everybody tries to take care of the tree. A lot more people take care of the tree than don't. That's a good thing."

This was only the second time the bur oak received professional care. Spradley worked on the tree in 2008 with a much smaller delegation of workers. His work to help the tree wasn't warmly — albeit mistakenly — accepted at first.

"We were setting up to cut some of the big deadwood, and a few locals came out. They thought we were cutting the tree down, and they were totally upset. I had to calm some of them down," says Spradley with a laugh. "So that shows you how much it means to the community."

As the Williamson family continues to farm the land that straddles Burr Oak Road, the hope is that all the work done to what John Sam calls the "oldest living thing in Boone County" will help prolong its life for future generations.

"I think it will outlive me," he says. "It's definitely on a decline. Big trees like this could take 50 years to die. It'll be really sad when it does, but it's lived a long full life." ■

*The McBaine Bur Oak is located on Burr Oak Road 10.4 miles from the intersection of Nifong Boulevard and South Providence Road in Columbia. The road begins as South Providence and changes to Route K, Perche Avenue and finally Burr Oak Road. The tree will be on the right.*

# Co-ops = Community Development

Cooperative developers share ideas in Minneapolis

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



The significant role cooperatives are playing in community revival and development was the focus of a conference in Minneapolis in November, appropriately titled “Cooperatives = Community Development.” The meeting was sponsored by CoMinnesota, a “networking group” formed in 2011 to share ideas among Minnesota’s cooperatives and community developers.

It was one of three co-op conferences held the same week in Minneapolis. The others were the annual Farmer Cooperatives Conference (see page 10), sponsored by the University of Wisconsin, and NCERA-210, sponsored annually by the Land Grant University Extension system to present the findings of the latest research on cooperatives (<http://ncera.ae.wisc.edu/>).

The CoMinnesota conference, the focus of this article, was held at the headquarters of Thrivent Financial, a fraternal group that originally developed to meet insurance needs of Lutherans. Participants came from a cross-sector of cooperatives, USDA Rural Development and staff from four statewide or regional cooperative development centers that participate in

USDA’s Rural Cooperative Development Grant (RCDG) program.

## Understanding co-op heritage

Chris Kopka, a law professor and vice president of Thrivent Financial, opened the conference by reminding the audience of the importance of understanding our nation’s cooperative heritage, including the reasons why numerous farmer cooperatives were formed during the late 19th century, a time when farmers were struggling to gain the marketing power and affordable supplies necessary to survive. These early co-ops established the traditions of education and self-help, which would also be embraced by future generations of cooperatives.

In his keynote address, Mark Ritchie, Minnesota secretary of state, provided an overview of the importance of cooperatives to the state’s economy, as well as the benefits of additional security (such as reliable markets, or the availability of vital supplies) and unique services that co-op members receive. He also discussed the potential for sustaining many of the family businesses of retiring baby boomers through transitioning businesses to worker ownership.

Cooperative “basics” were discussed by Kevin Edberg of Cooperative Development Services, and Margaret Bau, co-op development specialist with USDA-Rural Development’s Wisconsin state office. Bau discussed the essentials of cooperative ownership, including the

importance of local ownership by members based on their use of co-op services. This means that patronage dividends and member equity are distributed to local residents; hence, this source of income stays in the community.

## Roundtables discuss key co-op topics

The conference luncheon featured roundtable discussions led by experts in various co-op sectors. At the USDA Rural Development table, the discussion focused on USDA’s Rural Economic Development Loan and Grant (REDLG) program. Mike Murtaugh from Freeborn-Mower Co-op Services, a rural electric cooperative headquartered in Albert Lea, Minn., explained its re-lending activity under the program to promote local businesses. The workings of the REDLG program were further elaborated on by Cheryl Seanoa and Naomi Lenz from the Minnesota office of USDA Rural Development.

The afternoon sessions featured seven workshops on various cooperative topics. Warren Kramer of the Northcountry Cooperative Foundation (NCF), a participant in USDA’s RCDG program, discussed the development of manufactured home park cooperatives. By helping home owners to establish cooperative ownership and control of their land, NCF is contributing to the residents’ financial security and community well-being. Some of these



*Efforts are being made to help immigrant farmworkers, including Hmong farmers from Southeast Asia (seen here), become farm owners through the use of cooperatives. Janssen Hang, an organizer with the Hmong American Farmers Association, and John Flory, director with the Latino Economic Development Center (LEDC), discussed the challenges facing immigrant farmers during a recent conference sponsored by CoMinnesota. USDA Photo by Bob Nichols*

co-ops have been formed in response to park owners announcing plans to sell their land to developers, which would have forced the eviction of residents. Janssen Hang, an organizer with the Hmong American Farmers Association, and John Flory, director with the Latino Economic Development Center

(LEDC), discussed the challenges for immigrant farmers in obtaining access to land. Many of these farmers operate with “insecure” or unfavorable land-leasing arrangements, or find themselves unable to transition from farm workers to owners. The speakers cited progress in farm

ownership and access to farmer markets in urban areas. During the past two years, LEDC has participated in the RCDG program to increase its level of assistance to both Hmong and Latino farmers.

A workshop on how to finance development projects looked at the issues facing housing, business and consumer cooperatives. Christina Jennings, executive director of the Northcountry Cooperative Development Fund, described the nuts and bolts of evaluating and underwriting co-op projects. The discussion also covered sources of financing, including opportunities for partnering with various lending institutions, including USDA Rural Development.

The conversion of businesses from sole proprietorships to ownership by employees is gaining increased attention nationwide. Margaret Lund, a Minnesota-based cooperative developer, gave a presentation on Terra Firma Building & Remodeling. Marty Ruddy, who started the business, and another co-op employee also participated in the presentation. While most conversions to co-ops are pursued to maintain the business and distribute a share of its value to retiring owners who had previously operated as sole proprietors, this case was unique.

Ruddy built the business and initiated the conversion to a worker co-op, for which he plans to continue working for many more years as a worker-member. His motivation for transitioning the business to a worker-owned co-op, Ruddy explained, was based on his experience of collaborating with his employees in planning and making decisions. While he prospered as sole owner, he believes the best years are ahead for Terra Firma Building & Remodeling in operating as a worker cooperative.

The CoMinnesota web page includes a video of the conference, at: <http://cominnesota.coop/home>. ■

# What leads to satisfied co-op members?

*Surveys of dairy farmers show management and pricing are key*

**By Carolyn B. Liebrand, Ag Economist**  
Cooperative Programs, USDA Rural Development

*Editor's note: This article is based on Research Report 229, "Member Satisfaction with Their Cooperatives: Insights from Dairy Farmers." For more information, please contact the author via: carolyn.liebrand@wdc.usda.gov.*

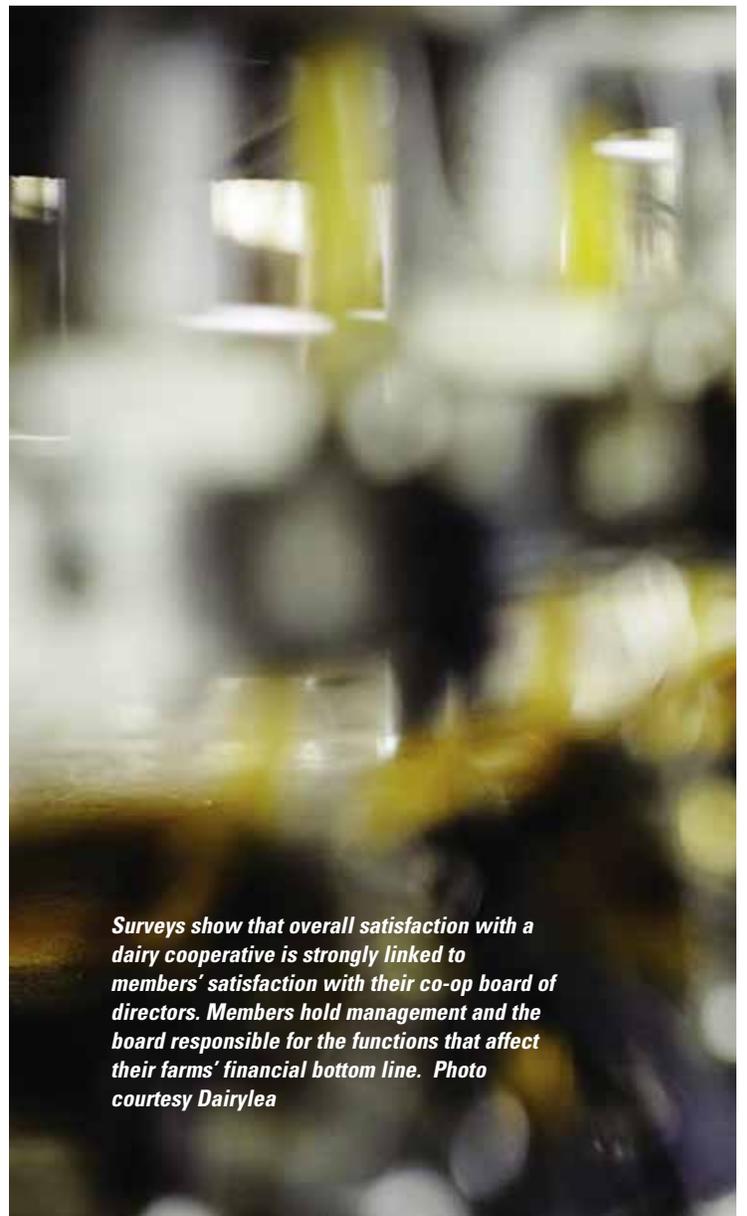


Do you know how your farmer-members feel about their co-op? Some proactive cooperative leaders wondered just that... and then took action to find out.

The key to running a successful cooperative is no great secret: the co-op must perform functions and provide services needed and desired by its members to their satisfaction. A number of factors influence levels of overall satisfaction with a co-op.

One way for a cooperative to find out what members think and feel about their cooperative is to ask them for direct input. Several major dairy cooperatives have done that in recent years by surveying their members by mail.

USDA Cooperative Programs played a role in these surveys, resulting in the collection of 1,736 cooperative member opinions on 43 questions that were common to each survey. The surveys were conducted independently from January through March in various years between 1993 and 2012. About 40 percent of the members in these cooperatives



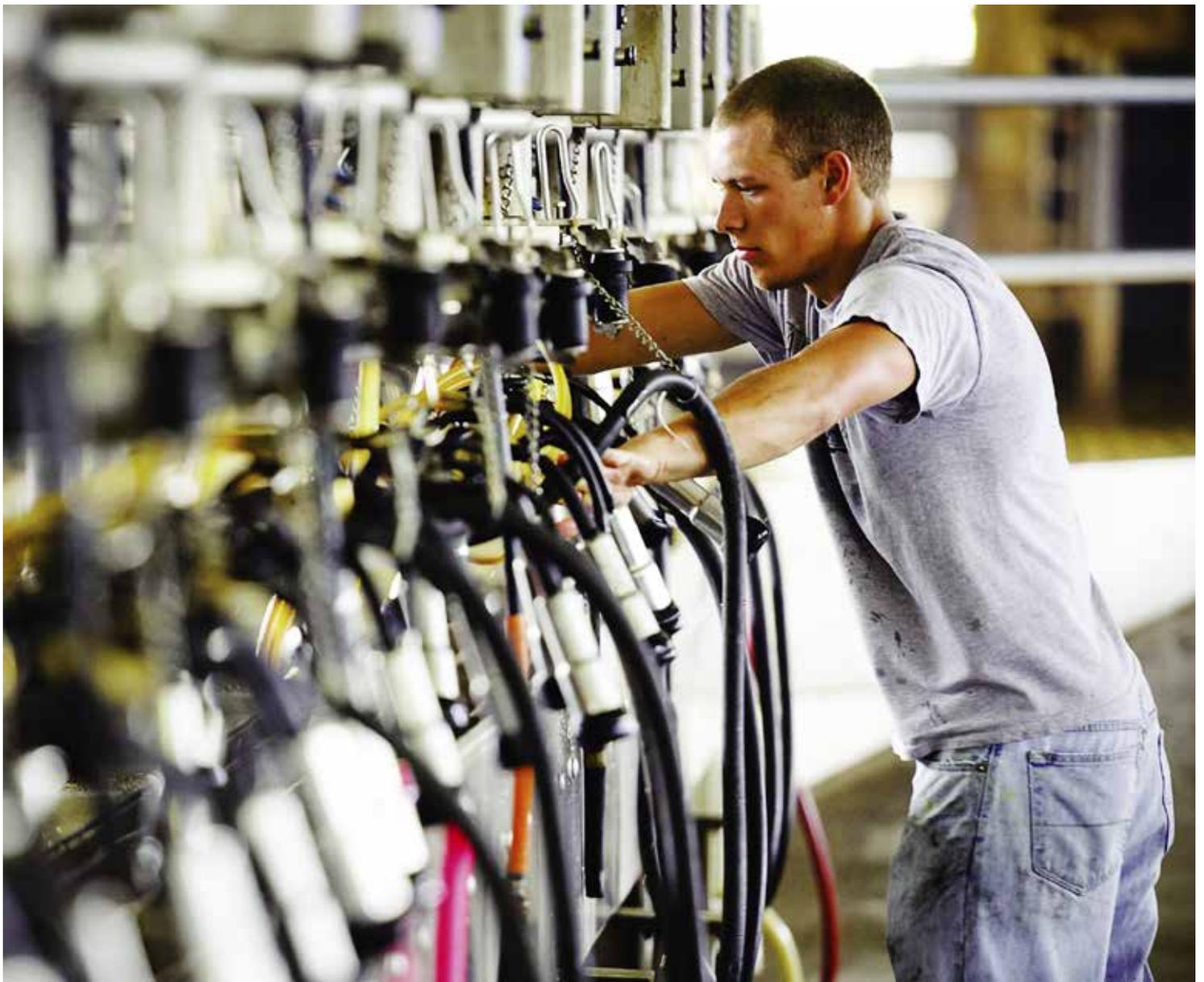
*Surveys show that overall satisfaction with a dairy cooperative is strongly linked to members' satisfaction with their co-op board of directors. Members hold management and the board responsible for the functions that affect their farms' financial bottom line. Photo courtesy Dairylea*

provided input on all of the questions that the surveys had in common.

The surveys included questions about the cooperatives' internal management and operational issues, which fell into six general topic areas:

- Milk pricing;
- Cooperative services;
- Cooperative operations;
- Cooperative principles;
- Cooperative governance, and
- Member connections with their cooperatives.

The producer-members were asked to indicate their opinion on various statements by selecting a number, ranging from 1 to 5, to represent their intensity of feeling about a given item. For example, on some questions, those surveyed were asked if "strongly disagree," "disagree," "unsure,"



“agree” or “strongly agree” would best describe their response to a question. Other questions asked the dairy farmer members if they were “very dissatisfied,” “somewhat dissatisfied,” “unsure,” “somewhat satisfied,” or “very satisfied” with cooperative services and operations.

To find out factors most closely linked with members’ overall satisfaction with their cooperative, correlations between each of the survey items were calculated, assigning a value to each pair of survey items. This value indicates the strength of the relationship between the topics of the two questions.

For example, higher levels of satisfaction in one area may be related to higher levels of satisfaction in another area. Conversely, the value may indicate a relationship where higher levels of satisfaction may be related to lower levels of agreement with a particular principle or practice.

### **The bottom line**

Dairy farmers’ livelihood depends on their milk being efficiently marketed and receiving the highest possible price for it. Many studies show that dairy farmers greatly value an assured market and high milk price. So, it is natural that their satisfaction with their cooperative is tied closely to whether the cooperative does a good job of marketing their milk at a reasonable cost, then returns a competitive milk price to members.

Corporate-level issues that concern how well the cooperative is run (board and management efficiency and/or competency) and items that affect members’ pocketbooks (pay prices and cooperative operational costs) are most strongly associated with overall member satisfaction with their cooperative (see figure 1). Members’ overall satisfaction with their cooperative is very strongly correlated with

member satisfaction with management and pricing policies.

Similarly, member satisfaction is strongly related to their perception of how well the co-op is managing operating and marketing costs.

Overall satisfaction with the cooperative is strongly linked to feelings toward the board of directors. Members hold management and the board of directors responsible for cooperative activities and functions that affect their farms' financial bottom line.

### Communication key to satisfaction

Three communication (member relations) issues are strongly correlated with members' satisfaction with their co-ops (figure 2). Agreement that their cooperative keeps them well informed about its operations was strongly linked to overall feelings about the cooperative.

Similarly, members' feelings that they can influence the cooperative and have an impact on how it is run are strongly related to overall satisfaction. It may be that feeling well informed about their co-op contributes to members' being satisfied with the corporate level issues mentioned above. It then seems possible that less satisfied members would show greater satisfaction with the co-op if they were more aware of how the cooperative operates and/or felt like they had more of a role in how it is run.

### Contributing factors

Many additional topics are moderately associated with

**Figure 1 — Members' overall satisfaction with their cooperative is strongly correlated with corporate level issues**

Item	Strength of relationship
<b>Satisfaction with...</b>	
Cooperative's management	Very strong
Cooperative's pricing policies	Very strong
<b>Level of agreement that...</b>	
Cooperative does a good job of marketing members' milk and returns a competitive price for their milk	Strong
<b>Satisfaction with...</b>	
Cooperative's management of operating and marketing costs	Strong
Cooperative's board of directors	Strong
<b>Level of agreement that...</b>	
Member would not drop out if an alternative was available	Strong

**Figure 2 — Members' satisfaction with their cooperative overall is strongly correlated with communication issues**

Item	Strength of relationship
<b>Level of agreement that...</b>	
Co-op keeps me well informed about its operations	Strong
<b>Members have a great amount of</b>	
influence on how co-op is run	Strong
<b>Member is satisfied with amount of</b>	
influence on how co-op is run	Strong

members' overall satisfaction with the cooperative (figure 3). Some are similar to those identified above that affect members' pocketbooks (agreement that cooperative pays all members fairly for their milk) and communication (agreement that members receive as much information as they need about operations and programs).

### Member connection to co-op

Feelings of "being connected" to the co-op influence member satisfaction. Member satisfaction was linked to a view that "the cooperative is not more concerned about its operations than about members." Likewise, agreement that the cooperative "is not just another place to do business" is related to overall satisfaction with the cooperative.

In addition, agreement that belonging to the cooperative is an important part of the member's identity as a farmer and that the member feels that he or she is a part owner of the cooperative also have a moderate impact on overall feelings toward the cooperative. Together, the link between these items and member satisfaction indicates that members' view of their cooperative as a unique organization may play a role in their overall level of satisfaction.

### Cooperative services

The surveys asked about five different co-op services. (Individual surveys asked other additional questions about specific services provided by the cooperative, but these five were comparable across all surveys.) The level of satisfaction with the cooperative's provision of market information, with its milk hauling policies, with the cooperative's field representative, and with the cooperative's laboratory services were each moderately correlated with member overall satisfaction. However, satisfaction with milk hauling services (operating or arranging routes) was only weakly linked to satisfaction with the cooperative.

The relatively weaker correlations between member satisfaction with their cooperative and satisfaction with the various services provided by, or through, the cooperative may be because of the individualistic nature of the relationships between service provider and member. Members may hold service providers — such as field representatives and milk haulers whom they have direct contact with — accountable for the quality of the services provided, rather than the cooperative itself.

Members' satisfaction with their cooperative may be more heavily influenced by how the cooperative guides the provision of these services. For example, members' rating of the cooperatives' milk hauling policy is more strongly correlated with satisfaction with the cooperative overall than is members' rating of the milk hauling service itself.

While member satisfaction with the cooperative was moderately related to satisfaction with, or rating of, these services, the fact that they were not more strongly correlated does not necessarily mean that the provision of, or quality of,

services the cooperative supplies are not important to member satisfaction. It may just mean that member unhappiness with certain aspects of the services provided may or may not translate into dissatisfaction with the cooperative overall, depending upon the nature of the specific issue.

### Cooperative practices

Finally, agreement that the cooperative does not try to cover too big a geographic area is moderately linked to the level of overall satisfaction with the cooperative. In other words, members who were satisfied with their cooperative usually did not agree that it tried to cover too big an area.

The level of agreement with the statements that the cooperative's earnings were a return on the member's investment and that the cooperative paid patronage in proportion to the member's patronage are both moderately associated with overall satisfaction. Likewise, agreement that their cooperative works appropriately with other agricultural cooperatives and that it supports cooperative education for members and the public are also moderately correlated with the level of overall satisfaction.

That these are not more strongly linked may indicate that for some members, satisfaction with the cooperative does not depend on whether or not their cooperative practices these principles, or perhaps whether or not the members are aware of their cooperative's practices.

### Cultivating member satisfaction

In summary, it is clear that the factors most strongly linked to member satisfaction are a cooperative's:

- Management, in general;
- Milk pricing policies;
- Management of operating and marketing costs;
- Board of directors, in general, and
- Communication with members.

Thus, the first priority for cultivating improved member satisfaction appears to be having a competent board of directors and a capable management team in place. To achieve this, members should elect a board that is competent in setting policies and in recruiting and supervising a capable management team. Members look to management to do the best possible job of marketing member milk, minimizing operating costs and setting satisfactory milk pricing policies.

A second key area for member satisfaction is sound communication that keeps members well informed about cooperative operations and provides feedback from members regarding their wishes and concerns. Third, the cooperative should have an education program to augment members' understanding of the milk market and the nature of the cooperative business model.

Last, but not the least, the cooperative should ensure that service providers who are in direct personal contact with

**Figure 3 — A range of topics are moderately associated with member satisfaction with their cooperative overall**

**Level of agreement with items concerning member connection to the cooperative:**

- Co-op is not more concerned about operations than its members
- Belonging to the cooperative is an important part of the member's identity as a farmer
- Members feel they are part owner of the cooperative
- The cooperative is not just another place to do business

**Satisfaction with cooperative services:**

- Cooperative's provision of market information
- Cooperative's milk hauling policy
- Field representation (farm visits, interface between producers and cooperative)
- Laboratory services (component and quality tests, and reports)

**Level of agreement with cooperative practices:**

- Cooperative pays all members fairly for their milk
- Cooperative members receive as much information as they need about operations and programs
- The cooperative does not try to cover too big an area as an organization
- The cooperative's year-end earnings are considered a return on member's investment
- The cooperative works appropriately with other agricultural cooperatives
- The cooperative pays patronage refunds in proportion to patronage
- The cooperative supports cooperative education for members and the public

*continued on page 38*

*Many buying clubs initially focus on acquiring food staples and dry goods, since storage for such items is limited only by space, without the need for refrigeration. Canned goods offer similar advantages, but margins on them tend to be much lower.*



## Welcome to the Club!

*Food buying club co-ops have potential to help increase food security for many*

**By Alfonso Morales and Ali Loker**

***Editor's note:** Morales is an associate professor of urban and regional planning at the University of Wisconsin-Madison. Loker earned a bachelor's degree in Community & Environmental Sociology in 2012 from the University of Wisconsin-Madison and is currently a volunteer with Americorps. Support for this research was provided by USDA's National Institute of Food and Agriculture.*



The World Food Summit of 1996 defined food security as existing “when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life.” While food insecurity is a global issue, this article will primarily focus on the situation in the United States and the role of food buying clubs in helping to address it.

In 2010, about 85.5 percent of households were food secure, 9.1 percent had low food security and 5.4 percent had very low food security, according to the U.S. Department of Agriculture (USDA). This equates to 48.8 million households that were food insecure in 2010.

Of these low food security households, 40.2 percent were classified as being below the poverty line, 35.1 percent were single-parent households headed by a female and

25.4 percent were single-parent households headed by a male. Households with children were about twice as likely to be food insecure as were households without children. These statistics are only a small snapshot of the issue of food insecurity in the United States.

There are a wide variety of solutions that have been used to fight food insecurity. USDA has developed the Community Food Security Initiative to “forge partnerships between USDA and local communities to build local food systems, decrease need and improve nutrition” (Kanto).

This initiative includes a Food Security Toolkit that helps communities identify needs and that provides possible solutions. These solutions include farmers markets, community-supported agriculture, farm-to-school programs, community gardens and community kitchens. All of these “tools” are currently under-utilized by low-income individuals. Through this toolkit, USDA hopes to increase the use of these programs by food insecure individuals.

Food clubs are an additional solution to food insecurity.

### **Linking consumers with wholesalers**

Buying clubs are a form of cooperative that involves a group of people who collectively purchase food directly from a wholesaler. This process eliminates many steps of traditional food distribution, allowing the members to save money.

The 1960s and '70s were a time of growth in co-op popularity. Many consumer co-ops were established during this time, but there was resistance in some communities to these co-ops, which some people regarded as “a hippie fad” that catered to people with odd food preferences. However, this image has changed considerably with the increasing diversity of people involved in co-ops and the rapidly growing demand for local, organic

and/or natural foods.

Many of the food co-ops that exist today got their start as buying clubs. Some of these smaller, less formal co-ops have developed into larger co-ops with less member involvement.

In *Food Co-ops: An Alternative to Shopping in Supermarkets*, William Ronco argues that “the relationship between buying clubs and more visible storefronts is not one of evolution, but interplay...many storefronts help start and support buying clubs” (pages 125-126). This interaction between buying clubs and cooperatives is very important to keep in mind when examining their histories.

### **Why food buying clubs?**

A dominant theme in articles on food clubs is the ability of consumers to alter the market through participating in buying clubs. In a 1999 report on food security in Canada, Jacinda Fairholm frames the issue well: “By changing our purchasing patterns as consumers, we can help alter the market so that it better reflects the needs and wishes of all consumers, particularly families and individuals with low income.”

Buying clubs empower consumers by encouraging them to pool their purchasing power and participate in an alternative distribution system. Buying clubs also allow consumers to have greater control over the quality of the food, the price and the source (Fairholm, page 32). A buying club “influences prices and quality in its area because members are better informed and have a larger choice.” Learning the strength of consumer power is a benefit mentioned by Fairholm, Sekerak and Danforth, as well as in *Moving Ahead with Group Action*.

This consumer power can be especially effective for low-income populations, where people are often initially interested in a buying club because of their ability to save money. However, after participating in a buying club for some time, the members begin

to witness firsthand the power of cooperation and what can be accomplished through group action.

Many leaders of co-ops (not simply food co-ops) got their start in buying clubs (Sekerak, Danforth). The smaller scale of buying clubs is an approachable entry point for individuals who may not otherwise be likely to join a cooperative. The small scale also provides a more manageable level of responsibility than does being an employee of a co-op store.

A job at an established cooperative may entail part- or full-time work. A job at a buying club, however, might simply be two or three hours per week, or even per month. A buying club can provide invaluable experience with tasks such as working with wholesalers, keeping records and running a small business.

These experiences and more are provided by the buying club with the support of other members and volunteers. Participating in a leadership position in a buying club can give an individual the confidence to use these skills in a more formal job setting, even those that are not associated with co-ops.

Sekerak and Danforth say another benefit is the relative ease of forming a buying club, compared to other food security solutions, such as forming consumer cooperatives. There is no need to secure a permanent space for a food club; many are run out of members' homes or churches, community centers or other public locations where space is free or available at a low cost. All jobs are performed by volunteers, eliminating the hassle associated with hiring employees.

The ability to reduce costs results in lower priced food. By reducing or completely eliminating the costs associated with modern food distribution, buying clubs are able to make fresh, healthy foods more accessible to low-income populations.

The social benefits of a buying club

are also worth noting. Buying clubs are a wonderful opportunity to build community. Community members work together towards a common, tangible goal of providing better food to the residents at a lower cost. The relationships that are built through the

buying clubs and other cooperatives, centers that provide resources to cooperative groups, professional organizers and existing cooperatives or buying clubs in the area (Evans, page 6). Reaching out to these groups during the planning stages can help a club

updated about the progress being made. Members of the group should consider what they want to accomplish with the buying club. What are the long- and short-term goals? Put these in writing so that the group can periodically assess whether they are being met.

“Buying clubs allow consumers to have greater control over  
**the quality of the food, the price and the source.”**

buying club extend beyond the boundaries of the club and can be an important jumping-off point for the community to pursue social justice in other forms (*Moving Ahead*).

### **Starting and running a food buying club**

A common first step in forming a buying club is to familiarize oneself with the community and any existing infrastructure that might make the area a good or bad fit.

*Organization and Management of Consumers' Cooperatives and Buying Clubs* provides a helpful outline to survey a community. It includes questions under these categories: community characteristics, local competition (existing agencies), trading and membership prospects, trading facilities, financing, other cooperatives, operation of the association and a summary and recommendation portion (page 54). This survey encourages individuals to take into consideration many factors that could affect the establishment of a buying club.

Although buying clubs are relatively simple to establish, even a well-run club in the wrong community could easily fail. Careful selection of location, combined with a well-run club, will likely lead to success.

An optional, but recommended, next step is to contact local service groups. These groups can include committees that provide technical assistance to



*Food orders are distributed at the Cumberland Food Buying Club in Crossville, Tenn. Photo courtesy Cumberland Food Buying Club*

establish supportive relationships at a crucial point in development. These groups will be able to provide useful insight and advice to newcomers.

The next step in the process is to hold a preliminary meeting with a group of core volunteers who are committed to establishing the buying club. This meeting should begin with discussing what a buying club is and how it will address the needs of the group. If it is decided that a buying club will not address the group's needs, the community is not a good fit and other solutions should be considered. At this meeting, it is important to emphasize communication and to receive input about how to remain in contact between meetings.

Tasks will be distributed among the volunteers, so it is imperative that everyone remain connected and

The preliminary meeting (or the second meeting) is also a good opportunity to discuss and assign roles. There are many tasks in setting up a buying club: general coordinating, creating and tallying order forms, purchasing and dividing up the food, cashiering, set-up and clean-up work on distribution day, coordinating volunteers and bookkeeping (Evans, pages 9-10). It is crucial to divide the work as evenly as possible to prevent “burn out” of volunteers.

### **Food offering choices**

The group must also determine what types of food to offer through the buying club. *How to Form a Food Co-op* offers recommendations. Many buying clubs decide to order staples and dry goods. Storage for dry goods is limited only by space, as they do not require refrigeration. Canned goods may seem appealing for similar reasons to dry goods, however, the margin of savings on canned goods is low — almost negligible in some instances.

Produce can be difficult for beginning buying clubs to offer, due to storage constraints. However, many clubs carry produce because it provides the largest savings for its members. Meat and dairy come with storage considerations that are similar to those for produce, along with the additional complication of grades. It is important for the club to solicit input from its members as to their preferences in

grades for these products before deciding to offer them.

Determining the types of food to offer is a balancing act between savings, storage consideration and member preferences. This is an extremely important decision and should be made only with the input of as many members as possible. Ann Evans recommends that clubs begin by offering staples and moving up to meat, dairy and produce only after they've been successful at the former.

Once the buying club has determined what types of food it would like to include in its offerings, it must locate a wholesaler. *Moving Ahead* suggests first searching for a wholesaler that is owned by consumer co-ops in the area (page 11). If this is not possible, work with other wholesalers serving the area. *Co-op Stores and Buying* provides a list of important questions to ask a potential wholesaler, including questions about mark-ups, membership requirements, prices, frequency of orders and deliveries, policies on damaged goods and minimum order requirements.

It is crucial to have a thorough conversation with the wholesaler to help the group avoid unexpected complications. Try to interview several wholesalers, taking notes and performing calculations for comparisons. Throughout this process, the members should keep information on other wholesalers confidential and should not use this information in discussion with competing wholesalers (Lefever, page 2).

### Financing options

Finally, the buying club should decide how it would like to handle its finances. The primary decision that must be made is when to collect payment from members. There are two options, both with advantages and disadvantages.

Prepayment requires more bookkeeping. However, it is a guarantee that all food that is ordered will be paid for. Prepayment also allows the club to have

enough money to pay the wholesaler without needing to have an outside source of capital.

Payment at pickup eliminates much of the bookkeeping, including tracking prepayments and issuing credits or refunds if there are damaged or lost goods. However, payment at pickup necessitates an outside source of funding to pay the wholesaler upfront. A buying club can do this through a loan or initial deposits from its members. A bank account should be set up to handle the cash flow (Evans).

The only way a buying club will survive is if it has members recruited from the community. The first objective is to raise awareness of the buying club

and to recruit. Once the club is more established, the focus shifts from recruitment to education.

### Structure and processes

After the appropriate planning steps have occurred, the buying club is ready to begin its operation. A semi-formalized structure is encouraged by several sources, including *Organization and Management of Consumers' Cooperatives and Buying Clubs, Form a Buying Club in California* and *Moving Ahead*. These sources recommend creating written bylaws and a constitution or a policy sheet.

These documents state the purpose of the buying club, detail membership

## Food buying clubs in Canada

There is not much literature on food buying clubs outside of the United States. However, buying club initiatives in Canada were the focus of Jacinda Fairholm's article: *Urban Agriculture and Food Security Initiatives in Canada: A Survey of Canadian Non-Governmental Organizations*.

The Ontario Natural Food Co-op (ONFC) is an organization that supports more than 330 buying clubs. The clubs invest in ONFC, which provides the inventory, equipment and space necessary for distribution. The ONFC plays a critical role in sustaining these buying clubs. It provides education about cooperatives and produces a quarterly newsletter that includes information on "food security issues, recipes, cooperative model education, event/conference information, permaculture, sustainable agriculture techniques and more."

The Field-to-Table program developed the Good Food Box project, which has been an inspiration for many similar programs in Canada. The Good Food Box is a large buying club that "combines the economies of scale involved in bulk purchasing with extensive community involvement" (page 33).

The Good Food Box differs from other buying clubs in that it offers a flat-fee box of fruits and vegetables that changes each month. This is a similar idea to community supported agriculture (CSA). In a CSA, individuals pay in advance for a season's worth of produce boxes that they pick up weekly. The Good Food Box is much more accessible to low-income individuals because there is no large upfront cost and members are not required to purchase the boxes for an entire season, unless they choose to.

Indeed, 56 percent of these boxes are sold to individuals below the poverty line. The program tries to source from local farmers when possible. The Good Food Box also provides its customers an information sheet about produce and cooperatives. The Field-to-Table program has published a guide for establishing Good Food Boxes in other locations. ■

requirements, explain the use of any committees (if applicable), and describe how finances and amendments are handled (*Moving Ahead*, pages 26-27). These documents can be referenced if any issues or questions arise, and can help when orienting new members to the club.

Keeping these cooperative principles in mind may be helpful when creating these documents:

- Open membership;
- Neutrality in religion and politics;
- Democratic control;
- Limited return (if any) on share capital;
- Net earnings belong to the user-owners;
- Education;
- Cooperation among co-ops.

These principles are a good foundation for a cooperative of any kind, including buying clubs.

Most buying clubs operate on a committee system. *Moving Ahead* recommends the following committees: ordering, finance, packaging and membership-education. These

smaller co-ops compile the orders into a “block order.” The larger club then compiles the block orders and places a single order with the wholesaler. Each smaller co-op takes a turn as the “master block” to provide volunteers for that week’s distribution.

(2) In the team system, members volunteer to be a part of a team (bagging, transportation, secretarial,

*The Oklahoma Food Cooperative, seen here, started out as a food buying club. Many buying clubs have followed a similar growth path, but such a step should be taken only after a careful market study and planning.*



how much of a service fee to charge members. This fee will cover operating costs, such as for bags, delivery, etc. In setting the fee, consider all operating costs. Typically, this will be 2-3 percent of each order. However, most clubs charge 5-10 percent to allow a “cushion” (Evans, page 28). The difference between the fee charged and the operating costs will eventually add up to a significant amount.

It is up to the club to decide what to do with this surplus. The club can give this money (or a portion) back to its members as a reward for their patronage. Another option is to save the money for future goals.

The use of credit is strongly discouraged (*Organization and Management*, Dodge). Credit creates many problems and its use is not justified by the convenience for consumers.

It is very important to remain connected to the members. They are the driving force, and without them the club would not exist.

## “Determining the types of food to offer is a balancing act between savings, storage consideration and member preferences.”

committees are then responsible to the officers, who also work with the overall organization of the club, call and run meetings and handle finances (beyond the finance committee). Again, it is important to share the labor and avoid over-working the volunteers.

For larger buying clubs Evans suggests three different work systems:

(1) The block system is effective for clubs of up to 200 households. The larger buying club is broken down into smaller, pre-order co-ops of 5-10 households. Members of each of these smaller co-ops place their orders as they normally would in a buying club. Then a coordinator from each of these

treasurer, etc.). These teams perform the same task each month.

(3) The rotating job system is similar to the team system; however, volunteers rotate jobs at regular intervals.

Financial management is key to the economic viability of the club, which means sound bookkeeping is needed to track cash flow. This is a time-consuming job and should be shared, when possible (Evans, 30). The prices charged for goods should be above wholesale price, but less than retail store price. This way, the club will make a small profit and provide savings for members.

The buying club must also decide

A good way of keeping members updated about the club is through a newsletter. This can be a monthly publication that members pick up with their food, or a quarterly newsletter with more in-depth organizational updates. Regular meetings can also be held to update members and to solicit their input. Informed members will usually have a greater sense of ownership and be more committed to the club.

### Transitioning to a co-op store

Some successful buying clubs opt to expand and form a co-op store, but if

*continued on page 38*

# Co-ops urged to observe Grain Bin Safety Week

During the past 50 years, more than 900 cases of grain engulfment of workers have been reported in the United States, with a 62-percent

fatality rate. In 2010, at least 26 U.S. workers were killed in grain engulfments — the highest number for one year on record.

The most tragic fact of all: grain engulfments are preventable with proper safety training and procedures.

Nationwide Agribusiness Insurance Co. is partnering with the Farm Safety For Just Kids, Heartland Co-op, Iowa FFA Foundation, National Education Center for Agricultural Safety (NECAS) and others to increase awareness of the dangers of flowing grain and bring visibility to safety procedures that can save lives through an annual Grain Bin Safety Week, Feb. 23-March 1.

The week is timed to bring safety awareness of the dangers of grain bins prior to the planting season in much of the country. The week-long event will highlight a different component on each of the seven days:

- Sun, Feb. 23: Grain management;
- Mon., Feb. 24: Bin hazard identification;
- Tues., Feb. 25: Bin and equipment design, including safety equipment;
- Wed., Feb. 26: Bin entry;
- Thurs., Feb. 27: Working safely in a bin;
- Fri., Feb. 28: Extraction/rescue;
- Sat., Mar. 1: Confined spaces beyond the bin.

A website, [www.GrainBinSafetyWeek.com](http://www.GrainBinSafetyWeek.com), provides more information, tools for the media and information to help people get the word out as well as participate.

On Feb. 26, Nationwide Agribusiness will host a free, live webinar on grain bin safety that's open to everyone. Farmers and commercial grain handlers will gain valuable insight into the risks and hazards of grain bins,

safe-work procedures, Occupational Safety and Health Administration (OSHA) standards and more. Space is limited, so making an early reservation is advised at: <http://nwgacompanyevents.fugent.com/home/events.asp>.

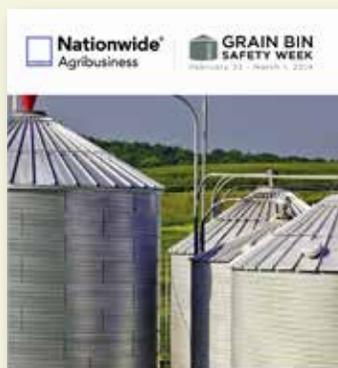
Nationwide Agribusiness, Farm Safety For Just Kids and NECAS will host #AgChat on Twitter from 7-9 p.m. (Central time) on Feb 25. This moderated, online conversation will

look at grain bin safety from a number of angles. Anyone with a Twitter account can participate by going to [Twubs.com/agchat](http://Twubs.com/agchat) to tweet during the chat. The site automatically enters the #agchat hashtag in every tweet and allows users to participate in real time.

An example of an ambitious Safety Week program is "Staying Safe on the Farm," Feb. 24, an all-

day event at the FFA Enrichment Center (adjoining Des Moines Area Community College) in Ankeny, Iowa. On-site activities include: Featured speaker Bill Chizek, safety director at Heartland Co-op in West Des Moines, and demonstrations with a grain bin entrapment simulator and a manure pit simulator. There will be farm implement and driver safety tips, as well as demonstrations of safe handling of Anhydrous Ammonia (NH<sub>3</sub>) fertilizer. There will also be a grain dust explosion demonstration and an auger safety demonstration.

Nationwide Agribusiness and NECAS have partnered to provide grain entrapment rescue training and a bin rescue tube (valued at \$2,600) to one fire department or emergency rescue squad. Nominations are due by April 30 and should be e-mailed to: [agcontest@nicc.edu](mailto:agcontest@nicc.edu) or mailed to: NECAS, Grain Bin Safety Contest, 8342 NICC Dr., Peosta, IA 52068. Official rules will be available online at: [www.GrainBinSafetyWeek.com](http://www.GrainBinSafetyWeek.com). ■



*Training exercises such as this can help co-op staff be prepared for an emergency — and to avoid the chances of one occurring.*

# Newsline

## Co-op developments, coast to coast

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

### Ocean Spray sales top \$1.6 billion

Ocean Spray Cranberries Inc. had net sales of \$1.66 billion for fiscal 2013, on par with the cooperative's record sales year in 2012. Proceeds to common shareholders totaled \$380 million, up 15.5 percent over the prior year.

Ocean Spray's Ingredient Technology Group's dried cranberry business experienced particularly strong growth in both domestic and international markets, surpassing the 100-million-pound mark for the first time.

"This was a strong year for Ocean Spray in terms of continuing to deliver a premium to our grower-owners and advancing a number of strategic initiatives that will grow our business at home and abroad," says Randy Papadellis, Ocean Spray's president and CEO.

The co-op reported that it completed a series of transactions with CoBank, resulting in the increased availability of \$215 million in financing that will allow Ocean Spray to rebalance its capital position to create a more conservative structure and support plans for cooperative growth.

Other highlights for 2013 included: the launch of Cran-Lemonade, now distributed in 80 percent of grocery accounts nationwide; the launch of Craisins Dried Cranberries in two new package forms, and the launch of the eighth domestic dried cranberry line in Middleboro, Mass. Significant progress was also made in the construction of a state-of-the-art beverage plant in Pennsylvania's Lehigh Valley.



*Ocean Spray's net sales of \$1.66 billion in 2013 nearly equaled the record set the previous year. Photo courtesy Ocean Spray.*

### USDA Ag Outlook Forum Feb. 20-21

"The Changing Face of Agriculture" is the theme of USDA's 2014 Agricultural Outlook Forum, Feb. 20-21, at the Crystal Gateway Marriott in the Washington, D.C., suburb of Arlington, Va. The Outlook Forum brings together the agricultural community to discuss policy, trade, science, rural development and the economic outlook for the coming year.

The Forum also focuses on forestry, health and nutrition issues and the changing dynamics and face of rural America, among other topics. Farmer co-ops will be involved in discussions about the burgeoning local food market.

Agriculture Secretary Tom Vilsack

and USDA Chief Economist Joseph Glauber will kick off the conference with their views of the state of the nation's farm economy heading into 2014, including USDA's latest crop and market forecasts. They will be followed by two plenary panel sessions addressing: "The Future of Agriculture: Building Markets Here and Abroad," and "The Future of Agriculture: Young Farmers - Unlimited Opportunities."

There are dozens of breakout sessions on key farm and rural issues, including: the latest agricultural census; how agriculture can support veterans; food price and farm income outlooks; international trade issues; news of efforts to control invasive pests; agroforestry trends; the Know Your Farmer, Know Your Food effort; citrus

disease challenges; the 100th anniversary of the Cooperative Extension program, among many others. To view the full schedule and register, visit: [www.usda.gov/oce/forum/](http://www.usda.gov/oce/forum/).

### **NCB financing autism, elder care organizations**

National Cooperative Bank (NCB),

which provides banking products to cooperatives and other socially responsible organizations, recently completed \$6.5 million in financing for two California healthcare organizations.

NCB provided a \$4 million loan to Novata Behavioral Health, a subsidiary of Mental Health Systems (MHS), to acquire the Center for Autism Research, Evaluation and Service

(CARES) in San Diego. CARES works with children and adults diagnosed with autism, providing evaluation, training, education and a wide-range of other services to participants.

The bank also provided a \$2.5 million loan to help the Center for Elders' Independence (CEI) refinance existing debt from the purchase of its four-story corporate headquarters in the

## ***Four named to Co-op Hall of Fame***

The Cooperative Development Foundation (CDF) has named four outstanding cooperative leaders as 2014 inductees to the Cooperative Hall of Fame. The Hall of Fame is administered by CDF, a nonprofit affiliate of the National Cooperative Business Association CLUSA International (NCBA CLUSA). Visit the Hall of Fame at: [www.heroes.coop](http://www.heroes.coop).

The latest inductees are:

■ **Martin Lowery**, executive vice president of external affairs at the National Rural Electric Cooperative Association (NRECA). For more than three decades, Lowery has been a strong advocate for the cooperative business model. He began working at NRECA in 1982, where he has played a leadership role on many projects, including forming and promoting new cooperatives, such as the Kauai Island Utility Cooperative — Hawaii's first electric co-op. Lowery played a key role in drawing together disparate groups to create the Touchstone Energy Cooperatives brand in 1998. He currently oversees NRECA's Cooperative Research Network (CRN), which brings co-ops together to support large research projects, such as a \$33.9 million U.S. Department of Energy grant for smart grid technologies.

■ **Papa Sene**, senior technical

advisor to NCBA CLUSA, where he has served for three decades. Sene, who grew up in Naikhar, Senegal, has shared, taught, enhanced and helped to spread co-op values globally. He began spreading the co-op message in the Boy Scouts, then led a transformative co-op housing movement in Dakar, Senegal, in the 1960s. He served as the head of accounting for a regional cooperative and studied cooperative businesses at the National School for Applied Economics. He led the development of the "CLUSA Approach," which has been used across economic sectors around the world, where it has been applied for natural resource management, community health and co-op governance issues. He has written several books and received numerous awards.

■ **Barry Silver**, executive vice president of National Cooperative Bank (NCB), where he has served for more than 33 years in various leadership positions. Silver has helped thousands of cooperatives obtain financing and was a major force behind the creation of NCBA CLUSA's Annual Purchasing Cooperatives Conference. It was Silver's passion for co-op education that led to the creation of the annual NCB Co-op 100 — a list of the nation's 100 largest co-ops across all economic

sectors. This list sparked the International Cooperative Alliance's Global 300 report. From 2005-2009, Silver worked on a multi-billion dollar project for the World Bank in China, helping to create new ag co-ops by educating leaders about cooperatives.

■ **Harriet May**, former president and CEO of the Government Employees Credit Union (GECU), began her credit union career as a teller nearly 40 years ago, rising to become the leader of the largest credit union (and financial institution) in her hometown of El Paso, Texas. May led the charge to make home ownership available to lower income, minority members of her west Texas community by helping to establish an Affordable Housing Credit Union Service Organization. The dramatic results include: sponsorship of 732 credit workshops with 10,700 participants; more than 16,200 first-time savings accounts opened; providing credit counseling to 8,600 families, and preparing (for free) 73,372 tax returns under the Volunteer Income Tax Assistance (VITA) program. She has been an innovator in financial literacy (even participating in a panel discussion with the President of the United States) and has worked across the border with Mexican officials to create a system of affordable remittance services. ■

Oakland/Berkeley area. CEI was founded 25 years ago to offer a community-based system of comprehensive health and related services to low-income, frail elderly residents of the East Bay region. CEI serves more than 580 members through four different sites.

“NCB is proud to be a financial resource for senior living and healthcare providers throughout the United States for over 30 years,” says Ann Fedorchak, NCB senior vice president. “To date, we have arranged over \$530 million in loans to serve the needs of this industry. Our role in the healthcare sector, whether as a sole lender or a partner with other financial institutions, is critical to NCB’s mission, and we look forward to expanding our commitment in 2014.”

### **\$70 million to promote economic growth in Africa**

The National Cooperative Business Association CLUSA International (NCBA CLUSA) has signed a five-year, \$70 million cooperative agreement with the United States Agency for International Development (USAID) to help accelerate economic growth for individuals and families in the Sahel regions of Niger and Burkina Faso. About 86 percent of Niger’s rural population lives under the poverty level.

The project — known as Resilience and Economic Growth in Sahel — will benefit more than 2 million vulnerable people by addressing the structural causes of chronic food insecurity and nutritional vulnerability in the Sahel region of West Africa.

NCBA CLUSA started working in Niger in 1985 and Burkina Faso in 1993, establishing community-based health services, developing effective rural organizations, linking farmers to input suppliers and buyers, promoting strong and dynamic markets, and improving household incomes. “This fully integrated project will address resilience at its core and build the foundation for sustainable and scalable economic growth for the people of the

Sahel,” says Mike Beall, president and CEO of NCBA CLUSA.

This new effort is based on the premise that bolstering food security requires a holistic approach, which must simultaneously improve agricultural production, manage and sustain the natural resource base, increase farmers’ revenues and increase access to water and basic public health services.

### **Texas Tractor Drive helps feed hungry**

A diverse group of cooperatives in West and Central Texas recently

Starting at Home” program.

The Texas Food Bank Network provides support for all the food banks in Texas. By joining forces with them, all proceeds were ear-marked for the county in which they were received. Texas Food Bank Network turns every dollar in donations into five dollars in food.

The food drive tractor traveled more than 1,000 miles as it visited rural communities in 23 counties in West and Central Texas. The John Deere 5045 tractor was donated by B.E. Implement in Brownfield and Bramlett Implement



*Breckenridge (Texas) FFA officers with the tractor their chapter won by raising the most money to fight hunger in Texas. FFA chapters were supported by farm credit, electric and farmer co-ops.*

banded together to help feed the hungry. Avant Marketing Group of St. Louis, Mo., got the ball rolling by reaching out to U.S. Farm Credit Associations. In Texas, Lubbock-based AgTexas Farm Credit took up the challenge, and a plan was drafted for “Tractor Drive 2013: Driving Hunger Out of Rural Texas.”

The goal was three-fold: (1) to raise awareness of hunger in rural Texas; (2) to raise money to support food banks, and (3) to achieve these two goals by supporting FFA chapters and their efforts to support local food pantries as a part of FFA’s “Feeding the World —

in Stephenville as a prize for the FFA chapter that raised the most money per ag student (32 chapters competed).

More than \$105,000 was raised, which became the equivalent of \$525,000 of food for those in need. The Breckenridge FFA Chapter won the tractor by raising \$19,493, or \$209 per member. Breckenridge is in Comanche Electric Cooperative’s (CECA) service territory — a co-op that was a major sponsor of the drive.

### **Co-op leaders honored by Co-op Network**

The Cooperative Network recently

## Foremost earns Green Professional designation

Foremost Farms USA, Baraboo, Wis., has been recognized as a Green Professional business in the Green Masters Program of the Wisconsin Sustainable Business Council. The designation recognizes the co-op's continued commitment to sustainability.

"Foremost Farms has demonstrated continued commitment to the triple bottom line: people, planet and profitability, and we look forward to seeing more of their innovative sustainability initiatives in the future," says Tom Eggert, executive director of the Wisconsin Sustainable Business Council.

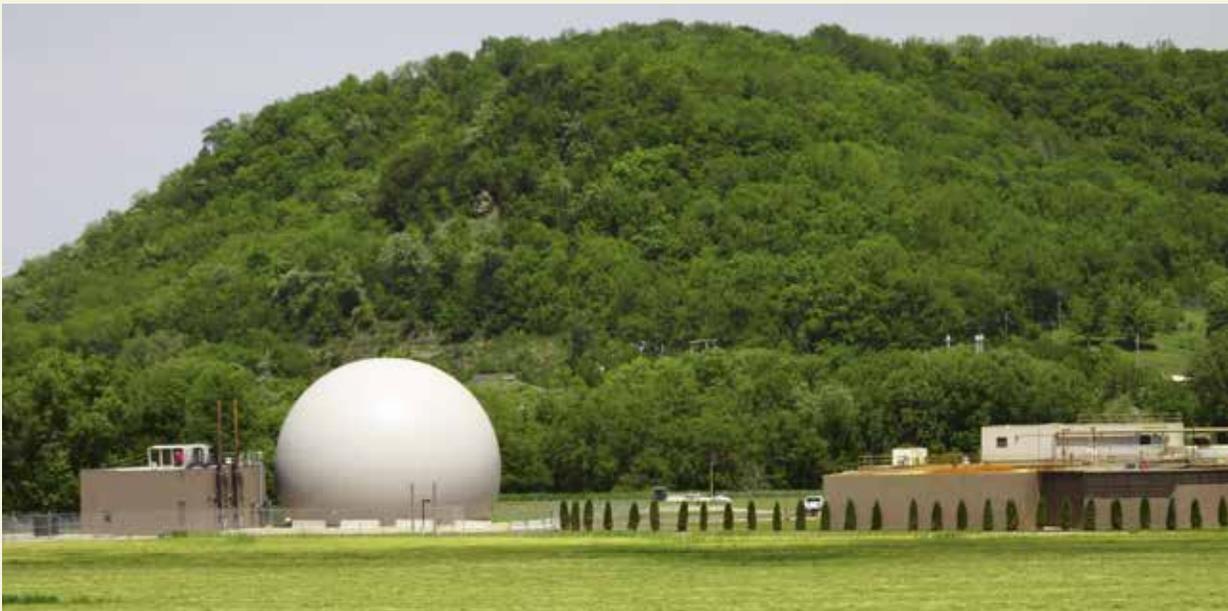
"We believe that acting in an environmentally, socially and

financially responsible manner makes good business sense," says Michael McDonald, Foremost's vice president for environment, health, safety and sustainability. "To be recognized for our efforts is the cheddar cheese on our apple pie!"

Examples of Foremost Farms' efforts in sustainability include:

- Developing goals and strategies to reduce greenhouse gas emissions;
- Finding efficient ways to transfer the energy from dairy products that have been cooled or preheated to reduce energy consumption;
- Reducing overall energy use at its dairy plants by 4 percent, even though product processing volume increased 4.8 percent;

- Replacing light bulbs, appliances and manufacturing equipment with modern, energy efficient models;
- Installing motion sensors, timers or other lighting controls at plants and offices;
- Constructing an industrial wastewater treatment facility (with another dairy processor) that captures the methane produced in anaerobic processes and fuels an internal combustion engine-driven electrical generator that creates electricity, which is sold to a local utility company;
- Working with customers to minimize packaging materials and placing finished dairy products in reusable containers. ■



*This industrial wastewater treatment facility at Richland Center, Wis., captures methane produced in anaerobic processes. The methane gas fuels an engine-driven electrical generator that creates electricity, which is sold to a local utility. Photo courtesy Foremost Farms*

presented its Cooperative Builder Award — its highest statewide honor — to three cooperative leaders: Steven Krikava, retired director of government relations for Land O'Lakes; Kenneth

Machtan, board president of Group Health Cooperative of South Central Wisconsin (GHC-SCW); and Larry Swalheim, retired CEO of Landmark Services Cooperative. The honor is

given to individuals who demonstrate the utmost loyalty and service to the cooperative movement at the local, state, regional or national level.

"Recipients of the Cooperative

Builder Award give above and beyond to improve the lives of everyday people; their achievements represent the lifeblood of the cooperative movement,” says Bill Oemichen, president and CEO of Cooperative Network, which provides government relations, education, marketing and technical services to a wide variety of member-cooperatives in Minnesota and Wisconsin. “Each year at our annual meeting, we are proud to recognize the admirable work of our fellow ‘cooperators,’ who consistently challenge us to aspire even more for our members.”

Krikava, from Edina, Minn., retired this past year after a 39-year career with Land O’Lakes. Machtan, from McFarland, Wis., has served on GHC-SCW’s board of directors since 1988 and as board president since 2001. Swalheim, from Stoughton, Wis., retired from Landmark Services Cooperative in 2011 after 20 years as CEO.

### ACE conference slated for Austin in July

The Association of Cooperative Educators (ACE) will hold its annual institute this July 13-16 at the University of Texas in Austin. Austin is



a hotbed of co-op development and education efforts, according to ACE spokesperson Sarah Pike, making it a fitting location for the conference. The ACE institute is attended by co-op educators and development specialists from throughout the United States (including Puerto Rico) and Canada.

Among the organizations helping to boost the city’s co-op sector is Cooperation Texas, formed in Austin in 2009 as a nonprofit organization that is committed to the creation of

sustainable jobs through the development, education and support of worker-owned cooperatives, Pike notes. The Austin Cooperative Business Association is another major force helping to expand and strengthen the co-op sector in Austin and the surrounding region. Texas also has strong statewide co-op associations, notably the Texas Agricultural Cooperative Council and Texas Rural Cooperative Center, which are strong proponents for co-ops and co-op education.

New and/or expanding co-ops in Austin include: Wheatsville Food Co-op, Black Star Co-op (a brewpub), Yo Mamas Catering Co-op, Red Rabbit Cooperative Bakery and College Houses, among many others. Austin’s thriving co-op sector has attracted media coverage, including a recent PBS television program, *Fixing the Future*, and articles in the *Austin Post*.

Accommodations will be available at the Hampton Inn and at local student housing co-ops. For more information, contact Pike at: pike@ace.coop.

### Four co-ops win dotCoop Awards

Co-ops in Columbia, Puerto Rico, Canada and Oregon have been recognized with the 2013 dotCoop Global Awards for Excellence, recognizing their application of cooperative values and principles as driving forces in their success. The awards were presented by Michael Beall, president and CEO of the National Cooperative Business Association CLUSA International, during the International Cooperative Alliance (ICA) Global Conference and General Assembly in Cape Town, South Africa.

“The recognition of these exceptional cooperative businesses is a testament to the power of the movement and how the model’s differences can be harnessed and utilized to positively impact communities globally,” Beall said.

Award winners (by category) are:

- **Large Cooperative:** Coop Zeno Gandí, a credit union headquartered in Arecibo, Puerto Rico, with more than 35,000 members. It was cited for providing cutting-edge technology that allows members to use Internet and mobile services for many functions and connects the cooperative to the youth of the community.
- **Medium Cooperative:** First Alternative Cooperative, a retail food cooperative in Corvallis, Ore., provides natural and organic food in community-oriented stores to more than 7,000 members. It was saluted for being a business that focuses on member and community needs, including maintaining a website that is rich with information about buying local, classes, recipes and wellness.
- **Small Cooperative:** Cooperativa Orientación y Seguridad C.T.A., is a worker cooperative that provides monitoring, private security and investigations for hospitals. The co-op, based in Bogota, Colombia, was cited in part for an outstanding website that explains the cooperative business model and how the co-op and its members are connected to their communities and other co-ops across Colombia.
- **Cooperative Organization:** The Canadian Cooperative Association (CCA), based in Ottawa, Ontario, represents more than 9 million cooperatives and credit union members from more than 2,000 organizations throughout Canada. CCA is itself a federally incorporated cooperative, owned by its member organizations, and provides leadership to promote, develop and unite cooperatives and credit unions to benefit people in Canada and around the world.

### Florida’s Natural makes co-op’s third-highest payout

Even though citrus sales volume dipped 3 percent last year, Lake Wales, Fla.-based Florida’s Natural Growers was still able to provide grower-members the third-highest profit share in the co-op’s history, according to *The Ledger* newspaper. More than 1,000

Florida's Natural farmers received \$1.75 per pound solids for their oranges and \$1.60 for their grapefruit during its 2012-13 fiscal year, William Hendry, the co-op's chief financial officer, reported at the cooperative's 80th annual meeting

The meeting was attended by about 300 members and guests. The 2012-13 orange market was softer because of high inventories.

### **NOVEC distributes more green energy**

More Northern Virginia Electric Cooperative (NOVEC) members are lighting up their homes with "green power" thanks to the co-op's participation in two renewable energy projects. In November, NOVEC dedicated a 49.9-megawatt biomass plant in Halifax County, Va. The plant burns wood waste left over from

in the dedication of three new generators at the Prince William County Landfill, about 45 minutes west of Washington, D.C. The new generators, along with two generators that have been in service since 1998, have more than doubled the electric output at the landfill. The five generators are now providing about 48 million kilowatt-hours annually for the NOVEC system.

These new green power projects, combined with hydroelectric power NOVEC buys from the Southeastern Power Administration, is helping all co-op customers illuminate their homes and businesses and run their appliances with more renewable energy. "We realize our customers want sensible alternative energy choices, and we're looking for opportunities to add more competitively priced renewable energy to NOVEC's power supply," says Stan

facility) and NOVEC worked together to develop the landfill gas-to-energy project. "This is a great example of a public/private partnership," says SWD Chief Tom Smith. Fortistar sells 100 percent of the facility's electrical energy output to NOVEC under a long-term sales arrangement. A portion of the proceeds received from the energy sales is returned to Prince William County as royalties.

NOVEC, headquartered in Manassas, Va., distributes electricity and energy-related services to more than 150,000 customers in Northern Virginia.

### **Co-op merger creates Prairieland FS**

Two Illinois farmer cooperatives — Lincoln Land FS Inc. in Jacksonville and Two Rivers FS Inc. in Rushville — have merged to create Prairieland FS

Inc., with headquarters in Jacksonville. The new co-op will serve 13 counties in west-central Illinois and northeast Missouri.

Shareholders of both co-ops approved the merger, which became effective Dec. 1, according to a report in the *Herald-Whig* newspaper.

"Customers should see little or no change at the local level," Keith Hufendick, Prairieland CEO, told the newspaper. "What this does is create efficiencies at the corporate level. This will help us sustain long-term profitability."

Prairieland FS is a full-service cooperative that

provides agronomy, energy, facility planning and logistics products and services, as well as grain marketing, for farmers and other customers.

### **Co-op educator Ian MacPherson dies**

Ian MacPherson, a leading co-op historian, educator, author and frequent speaker at co-op meetings, died Nov. 16



*This biomass plant in Halifax County, Va., burns wood waste leftover from logging, generating enough power to light up 16,000 homes. Photos courtesy Northern Virginia Electric Cooperative (NOVEC).*

logging and lumber operations in the south/central region of the state. NOVEC estimates that the plant will supply enough electricity to power 16,000 homes.

In December, NOVEC participated

Feuerberg, NOVEC president and CEO.

The Prince William County Solid Waste Division (SWD), Fortistar (a New York-based company that owns and operates the landfill gas-to-energy

at age 74. Dr. MacPherson was known internationally for his role in the 1995 revision of cooperative principles. As both a scholar and a cooperative activist, MacPherson “personified the relationship between Canadian cooperative academics and co-op practitioners,” according to a posting on the Canadian Cooperative Association website.

MacPherson served as president of both the Canadian Cooperative Association (CCA) and Credit Union Central of British Columbia (now part of Central 1 Credit Union), as well as on the boards of various consumer, financial and health-care cooperatives.

MacPherson was the author of dozens of books and articles about cooperatives, including *A Century of Cooperation*, a 2009 commemorative book marking the 100th anniversary of Canada’s organized cooperative movement. In 1976, he joined the faculty of the University of Victoria and later served as chair of the history department there. From 1992 to 1999, he was the university’s dean of humanities, stepping down from that position to found and head the B.C. Institute for Cooperative Studies (since renamed the Centre for Cooperative and Community-Based Economy).

He was also a founder of the Canadian Association for Studies in Cooperation (CASC), a multi-disciplinary research organization which brings together co-operative academics and practitioners.

“There is no researcher in cooperative studies in Canada who has not benefited from Ian’s large presence and path-breaking work,” says Sonja Novkovic, professor of economics at Saint Mary’s University and chair of the ICA Committee on Cooperative Research. “He was the founder of CASC and a mentor to many students and researchers whose lives have changed because they were influenced by Ian’s passion and deep understanding of the cooperative movement. We will miss him as a friend, a humanitarian and an inspiration.”

To read more about McPherson, visit: [www.ianmacphersonmemorial.blogspot.ca/](http://www.ianmacphersonmemorial.blogspot.ca/).

### **Land O’Lakes Inc. acquires Geosys**

Land O’Lakes Inc. has acquired Geosys, a global technology firm that provides satellite imaging and insights for agribusiness. The acquisition caps a multi-year relationship between Geosys and Land O’Lakes through the co-op’s WinField division, which uses select Geosys technologies in the United States.

“These industry-leading technologies give farmers the tools to make critical decisions to improve yields while reducing their environmental footprint,” says Land O’Lakes President and CEO Chris Policinski. “These technologies further help our member cooperatives to leverage proven tools that turn data into decision enablers that drive productivity and sustainable agricultural practices.”

Geosys, which has more than 50 employees in multiple countries, had been seeking a strategic partner to accelerate growth, says Damien Lepoutre, president of Geosys.

### **C-FARE launches national co-op education project**

The Council on Food, Agricultural and Resource Economics (C-FARE — [www.cfare.org](http://www.cfare.org)) in 2013 began a two-year project, “*The Role of Cooperatives in the Nation’s Economy: Educating Future Cooperative Owners and Leaders*” to develop high school teaching modules about the economics of cooperatives.

The effort involves a panel of experts experienced in working with cooperatives, state councils of economic education, agricultural education experts and high school teachers. The broad backgrounds represented on the panel will help ensure that the modules meet economic education standards while also allowing for widespread dissemination of the information once the instructional module is complete and field tested.

C-FARE received technical support for the project from the Council for Economic Education (CEE), which aided in the coordination of peer and teacher review of the modules. CEE focuses on economic and financial education for K-12 students. In 2012, CEE trained more than 55,000 teachers who, in turn, reached 5 million students. The CHS Foundation provided key initial support to help launch the effort.

Project leaders are Barbara O’Neill, distinguished professor and Extension specialist in financial resource management at Rutgers Cooperative Extension ([oneill@aesop.rutgers.edu](mailto:oneill@aesop.rutgers.edu)), and Sanjib Bhuyan, associate professor and graduate program director of the Department of Agricultural, Food and Resource Economics at Rutgers University ([bhuyan@aesop.rutgers.edu](mailto:bhuyan@aesop.rutgers.edu)).

“C-FARE is pleased to be a part of educating the next generation of owners, leaders and patrons about the cooperative business model and structure,” says Roger Coupal, associate professor in the Department of Agricultural and Applied Economics at the University of Wyoming and current C-FARE board chairman. “The leadership and support of the project from the cooperative community will allow students in key states across the nation to learn about the economics of cooperatives as early as 2014, with the goal for continued expansion in future years.”

Cooperative leaders interested in learning more about this program should contact C-FARE at: (202) 408-8522 or [info@cfare.org](mailto:info@cfare.org).

C-FARE is a Washington, D.C.-based nonprofit that promotes the work of applied economists and serves as a catalyst for incorporating economic thinking into the analysis of food, agricultural and resource decisions. It serves as a conduit between the academic research/Extension community and government policymakers and agencies, helping to match expertise to public needs. ■

## In the Spotlight

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evolve, before we had our collective backs up against the wall.

The National Dairy Farmers Assuring Responsible Management (FARM) program is an example of this dynamic. As consumer expectations change, we need to be out in front in developing a national industry standard for dairy cow care. We couldn't wait

until the consuming public thinks there's a problem, and only then try to fix it.

Yes, it's been hard work, and that work continues. But one look at the challenges of other sectors of agriculture tells us that building a program like FARM will make our jobs as dairy marketers easier in the future.

**Doing the right thing is harder in the short term but makes life easier in the long run.** As I've said so many times in discussions with our members, doing the right thing is often very hard.

It's relatively easy to define the right thing, but much more difficult to push toward it. Again, with trade associations, it can be a chore in pulling the members together to work on controversial positions.

But as I noted in my last column, the one discussing our position opposing the greater availability of raw milk, easier paths are usually not the right ones. And all of us, regardless of where we are in our careers, end up regretting the times when we chose the easy path over the right one. ■

## Food hubs

continued from page 7

of "food deserts." Food deserts are defined as "communities, particularly low-income areas, in which residents do not live in close proximity to retailers

community through a different type of sustainability that is achieved through more than just economic profits for producers and the food hub. Many food hubs, due largely to their focus on social mission, are formed as nonprofits with the intent of promoting social and environmental benefits as much, or more, than economic profit. This

supported by grants and donations from the community. Supporters of the food hub see their donations as a way to invest in the community, since Local Food Hub donates generously to charities and local food banks. As an example, around 25 percent of the produce grown at Local Food Hub's farm is donated to such charitable organizations.

All food production systems have their place and address a specific set of stakeholder needs. The authors believe that taking a collaborative view will produce the best solution for both consumers and producers for long-term sustainability. Further, we believe that additional research is necessary to fully explore the exciting possibilities that exist for local foods producers in today's food industry. ■



*Even in their short history, food hubs have proven highly adaptable — in size, scope and type of products offered — to meet the vagaries of consumer demand.*

offering affordable and healthy food. Healthy food options in these communities are hard to find or are unaffordable" (U.S. Department of Health and Human Services 2011).

Food hubs provide value to a

secondary approach to sustainability has also proven to be successful, as evidenced by the longevity of a number of nonprofit food hubs. Local Food Hub is a nonprofit organization, and a majority of the finances of the hub are

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## Welcome to the club

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there is any doubt about such a move, the expansion should be delayed until the concerns are addressed.

Member input is critical to such a decision. One important consideration is whether there should be a limit on membership to prevent uncontrolled growth. A successful transition to a co-op store will also require having a reliable wholesaler and source of capital. Pooling resources with other buying clubs or co-ops when forming a new co-op store may reduce the burden on any one food buying club and result in a better end product.

There are conflicting opinions about the advisability of creating a co-op store from a buying club. The opinions of whether to start a co-op store seem to shift depending on the time period. For example, *Organization and Management of Consumers' Cooperatives and Buying Clubs* written in 1940, says that a buying club's ultimate objective is to develop a store, with the buying club being a temporary stage.

In *Consumer Cooperation: the Heritage and the Dream*, written in 1974, Sekerak and Danforth are against the idea, saying: "The requirements for survival and growth are much greater [with a co-op store] — in terms of management skills and capital and sales volume [required]." They say buying clubs are a great tool for small groups of people to get fresher food at a reduced price, but

recommend against developing them into a co-op store. *Moving Ahead* agrees with this sentiment.

However, the growing demand for local and organic foods is creating a market that is often conducive to support for co-op food stores. Ultimately, the decision to expand a food club into to a co-op store should be made carefully, on a case-by-case basis.

## Opportunities for future research

Buying clubs represent only one way to increase food access, choices and affordability. As such, they emphasizes some aspects of food access over others, with varying implications. For instance, minimizing costs by using volunteers means there are fewer full- or part-time jobs involved. Additionally, using "scratched and dented" food items, which may have similar nutritional value, may also have implications for how consumers feel about themselves that may outweigh the lower costs.

Buying clubs also represent important food access opportunities with important economic and social consequences. These many reasons should stimulate more research on buying clubs. It would be useful to track basic data on the number of buying clubs, their business volume and how many have become co-op stores, although such data is difficult to compile due to the informal nature of the clubs. This data would help answer the question of whether buying clubs work best as an end product, or as a means to the formation of a co-op.

The issue of food buying clubs outside of the United States also needs to be researched. What are the effects of different distribution systems on the role of buying clubs in foreign countries? How many of these buying clubs evolve into new forms (besides co-op stores)?

The role of food buying clubs in the United States has fluctuated over time. Food buying clubs will likely continue to be part of the solution to food insecurity. However, much research is still needed on their long-term effects. ■

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## What leads to satisfied co-op members?

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members are well trained, with the technical expertise members expect and who are committed to delivering a high

level of customer service.

The information presented here is gleaned from surveys designed for specific needs of the cooperatives involved; surveys were conducted in a number of years and during varying market conditions. Therefore, it is possible there may be other important factors that play a role in members'

satisfaction with their cooperatives that are not identified by the analysis of these member opinions. However, this collection of member opinions reveals important factors that can influence member satisfaction and highlights some of the areas that cooperatives may want to focus attention on. ■

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

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



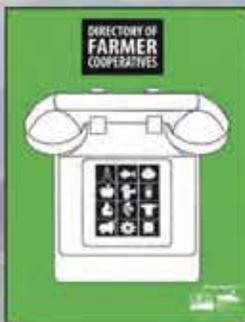
### Cooperative Statistics 2012 (SR 74)

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



### Cooperative Employee Compensation (RR-228) (Web only)

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



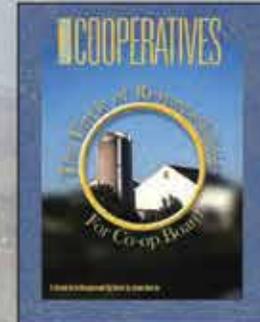
### Directory of Farmer Cooperatives (SR-22)

Contains a listing, by state, of over 1,200 farmer-owned marketing, farm supply, service, fishery, and bargaining cooperatives. Includes each cooperative's contact information, type of cooperative, and products sold. Online version updated every month. Find it along with all other USDA co-op publications, at: [http://www.rurdev.usda.gov/BCP\\_Coop\\_LibraryOfPubs.htm](http://www.rurdev.usda.gov/BCP_Coop_LibraryOfPubs.htm).



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

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



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

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

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