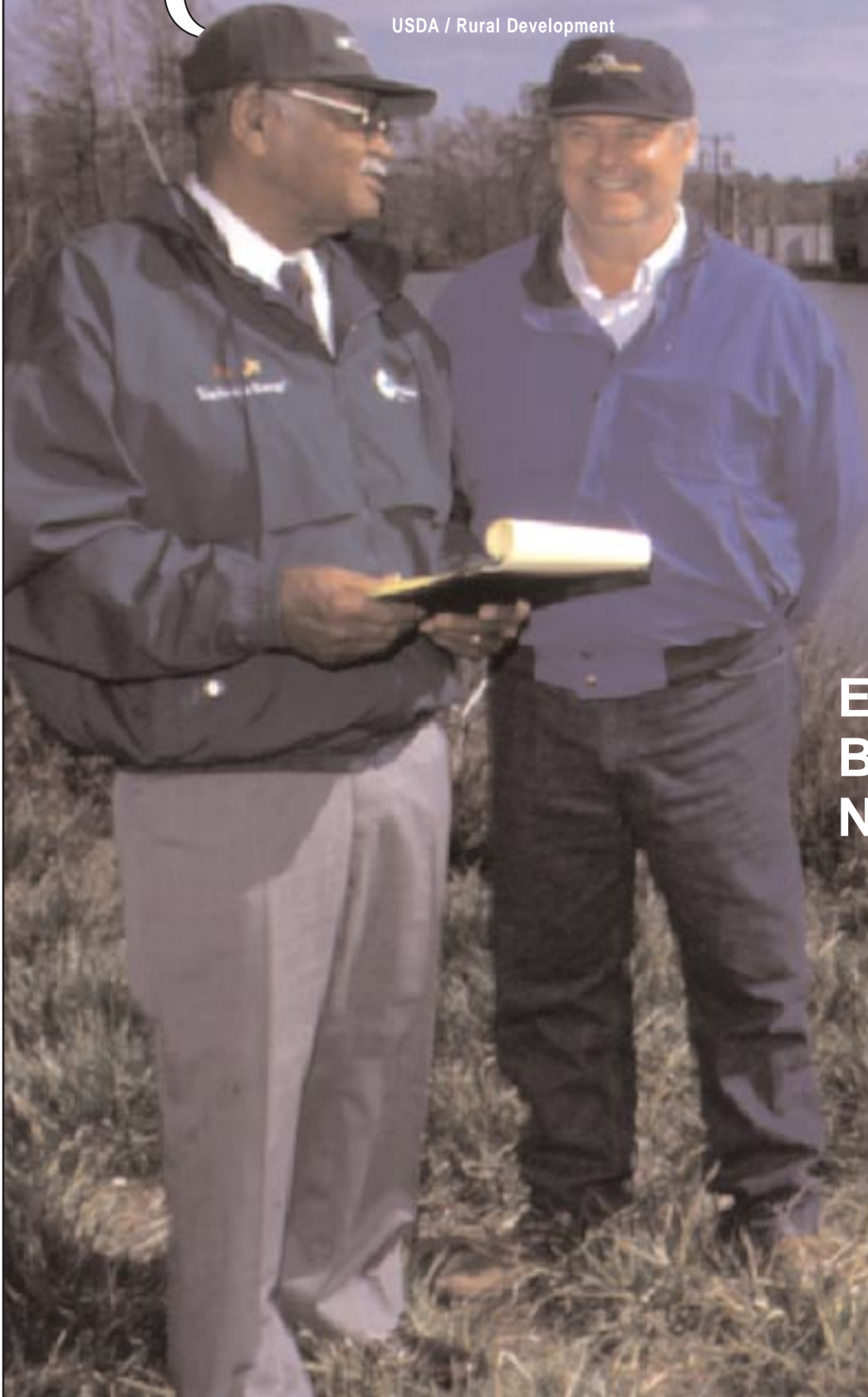


Rural **COOPERATIVES**

USDA / Rural Development

March/April 1999



**Electric Co-op
Breaks Barriers in
North Carolina**

Exercising Vigilance Over State Laws Important Role of State Councils

There has been a lively debate in recent years regarding what types of governmental programs are best carried out by state government, and which are best left to the federal government. This debate directly impacts some cooperative operations.

In the state of Iowa, for example, the ongoing hog-price crisis resulted in the introduction of legislation that would force cooperatives to pay equity to member owners on demand. States in the Northeast and Southeast regions have debated and, in some cases, established compacts that set prices for fluid milk. There has been a heated debate in Colorado over requiring installation of covers over lagoons that store waste from large-scale hog farms, some of which are owned by cooperatives.

Farm supply cooperatives that handle anhydrous ammonia have been challenged to protect storage tanks that have been subject to thefts by drug dealers. The Missouri legislature recently considered legislation that would provide funds for grants and other assistance to aid development of new value-added cooperatives.

The list goes on, but all these examples make an important point: legislative bodies — at both the state and federal levels — are constantly weighing proposals that directly affect the day-to-day operations of cooperative-owned businesses at the local, regional and national levels. In response, cooperatives have to use their associations and allied groups to fend for themselves in promoting constructive laws and regulations and prohibiting harmful ones.

At the state level, this role has historically been filled by statewide cooperative councils, institutes or associations. They are a mouthpiece for all co-ops in their state and perform an important leadership role in coalescing cooperative positions on various legislative and administrative issues. They are also instrumental in supporting university and high school programs in education about cooperatives.

While regional cooperatives play a similarly important role in dealing with state legislatures, they often do not capture the local cooperative's positions on critical issues in the representation process. For this reason, state councils must be supported by local cooperatives so they remain vigilant on issues affecting their well-being.

In an era of considerable structural change, cooperative leaders cannot afford to overlook the continuing role and importance of having a strong mouthpiece at the state level to deal with issues important to their survival and prosperity.



Randall Torgerson,

Deputy Administrator for Cooperative Services
USDA Rural Business-Cooperative Service

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On the Cover: *Matthew Grant, board president of the Roanoke Electric Cooperative, and Gene Bennett, owner of Bennett Farms, which thrives on electric power supplied by the co-op. In the background is Bennett's grain elevator. Bennett is a member of the co-op's Care Trust Board, which reviews grant applications for community projects.*

USDA Photo by Ken Hammond

Story on pages 7-10.



Iowa Cooperatives Lead Nation in Business Volume

USDA's 1997 statistics show Minnesota in second place, longtime leader California in third

Charles A. Kraenzle

Director, Statistics Staff
USDA Rural Development

Editor's note: Information for this article was collected by members of the statistics staff of USDA's Rural Business-Cooperative Service: Celestine C. Adams, Katherine C. DeVille, Jacqueline E. Penn and Ralph M. Richardson.

Iowa surged into first place in business volume among the nation's cooperatives during 1997, taking over the top spot held by California for the previous 10 years.

Iowa cooperatives, with \$10.9 billion in business volume, led all states in 1997. Minnesota co-ops, with \$9.8 billion, ranked second and California co-ops, with \$9.1 billion and the leading state in 1995, placed third. California co-ops had led the nation

in business volume since 1987. Iowa was the nation's leading farm co-op state from 1979 to 1985. Prior to 1979, California co-ops had led the nation since 1951, when USDA began compiling state-by-state data. In 1995, Iowa was the second leading co-op state, followed by Minnesota.

Increased marketings of farm products, especially grains and oilseeds, and increased volume of farm supplies helped Iowa and Minnesota co-ops move up to the top among the states. Wisconsin, with \$6.5 billion, and Illinois, with \$6 billion, remained as the fourth and fifth leading states (Table 1 and Figure 1).

Cooperatives in these five states accounted for \$42.4 billion, or 39.8 percent, of the \$106.5 billion in total net business volume handled by the nation's 3,791 agricultural cooperatives in 1997. This compares with \$36.1 billion (38.5 percent) of the \$93.8 billion generated by the nation's

co-ops in 1995. They also accounted for 32.4 percent of the total co-op memberships and 36.2 percent of all co-ops in 1997, compared with 28.7 percent of memberships and 31.8 percent of co-ops in 1995.

Marketing sales (derived from sale of crops and livestock) accounted for 72.2 percent of the business volume handled by co-ops in these five states in 1997, down from 77.5 percent in 1995. California co-ops, with \$8.2 billion, led all states in farm marketings, followed by Iowa (\$7.9 billion) and Minnesota (\$7.4 billion) in 1997. In fact, marketings accounted for 89.9 percent of California co-ops' total business volume, down from 92 percent in 1995.

In Iowa, marketings accounted for 72.2 percent and sales of farm supplies accounted for 24.9 percent of the total business volume in 1997. Service revenues and other income accounted for the remaining 2.4 percent.

Figure 1—Co-ops' Total Net Business Volume, Leading States, 1997

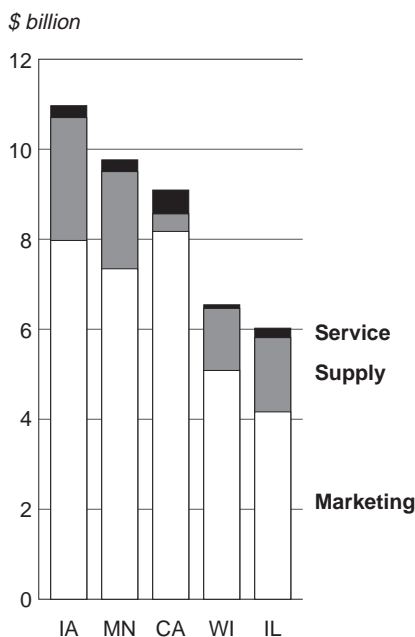


Figure 2—Number of Co-ops by Function, Leading States, 1997

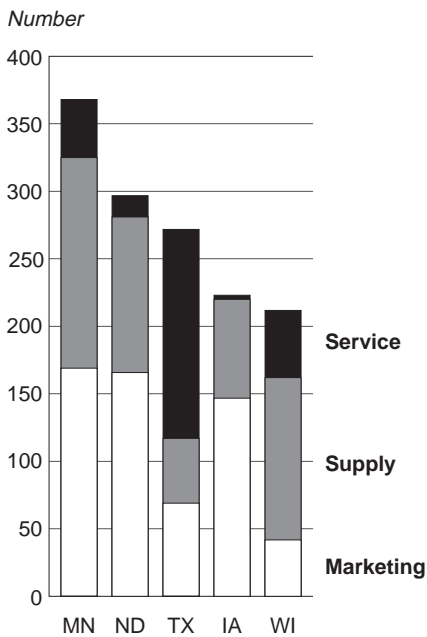


Figure 3—Co-ops Memberships by Function, Leading States, 1997

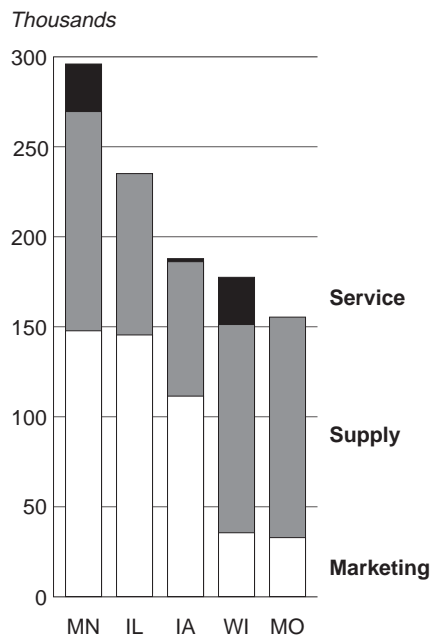


Table 1 — Farmer cooperative numbers,¹ memberships and business volume by state, 1997²

	Cooperatives headquartered in state	Memberships in state ³	Business volume ⁴
	Number		Mil. dol.
Alabama	63	53,791	1,403
Alaska	9	7,675	65
Arizona	10	46,757	738
Arkansas	60	63,242	1,983
California	185	56,715	9,109
Colorado	51	33,648	1,004
Connecticut	4	3,174	205
Delaware	3	25,978	98
Florida	46	27,124	2,485
Georgia	21	25,059	1,900
Hawaii	32	13,397	115
Idaho	41	23,079	1,181
Illinois	203	233,229	6,034
Indiana	60	90,915	2,540
Iowa	223	187,858	10,941
Kansas	148	135,007	3,970
Kentucky	42	136,427	1,078
Louisiana	50	13,556	792
Maine	24	9,214	217
Maryland	18	36,624	417
Massachusetts	14	5,050	655
Michigan	73	73,780	2,229
Minnesota	368	296,058	9,771
Mississippi	83	109,937	1,174
Missouri	75	156,093	3,718
Montana	79	28,995	743
Nebraska	127	109,547	5,077
New Jersey	19	7,724	345
New Mexico	9	8,311	608
New York	96	50,369	2,595
North Carolina	29	72,335	885
North Dakota	297	129,445	3,301
Ohio	95	75,222	2,998
Oklahoma	101	75,431	1,103
Oregon	40	21,747	2,052
Pennsylvania	60	53,378	1,983
South Carolina	6	3,745	378
South Dakota	145	110,927	2,826
Tennessee	79	141,185	722
Texas	272	128,831	3,669
Utah	21	11,550	691
Vermont	5	6,340	397
Virginia	63	93,068	742
Washington	91	30,991	3,271
West Virginia	20	26,202	162
Wisconsin	212	177,561	6,549
Wyoming	14	4,690	162
Other States	5	2,793	163
Foreign		5,034	1,232
United States	3,791	3,238,808	106,474

1/ Includes independent local cooperatives, federations, centralized regional cooperatives, interregional and cooperatives with mixed organizational structures.

2/ Data covering operations of cooperatives ending their business year during 1997. Data for states with fewer than three cooperatives or where disclosure is a problem are included with other states. Totals may not add due to rounding.

3/ Includes farmer members (those entitled to vote for directors) but not nonvoting patrons. Duplication in these membership numbers occurs because many farmers belong to more than one cooperative.

4/ Excludes intercooperative business.

California co-ops' sales of farm supplies (\$0.4 billion) accounted for only 4.3 percent of total business volume in 1997.

Service revenues and other income (\$0.5 billion), the highest of all states, was even higher at 5.8 percent.

Leaders in number of co-ops

Minnesota, North Dakota, Texas, Iowa, and Wisconsin were the leading states in number of cooperatives (as determined by co-op headquarters locations), the same as reported in 1995. These five states were home to 1,372 (36.2 percent) of the nation's co-ops in 1997, down from 1,447 co-ops and up from 36.1 percent in 1995 (Figure 2).

Among the five leading states, Minnesota had about an equal number of marketing and farm supply cooperatives. Texas had the largest number and proportion of service co-ops (mainly cotton ginning), while Wisconsin showed the largest proportion of farm supply cooperatives. Minnesota, however, had the largest number of farm supply co-ops.

New York (63), Minnesota (45) and Wisconsin (31) led all states in number of dairy cooperatives. California (71) and Florida (27) accounted for 37.8 percent of all fruit and vegetable cooperatives. Grain cooperatives were most predominant in Iowa (133), North Dakota (133), Kansas (124), Illinois (123), and Minnesota (107). These states accounted for 61.1 percent of all grain cooperatives, up from 60.5 percent in 1995.

Minnesota, Illinois, Iowa, Wisconsin, and Missouri led all states in number of cooperative memberships with 1,050,799, or 32.4 percent, of the total cooperative memberships in 1997 (Figure 3). Among these states, Illinois exhibited the largest percentage of memberships (62.4 percent) in marketing cooperatives. Missouri showed the largest percentage of memberships in farm supply cooperatives, and Wisconsin the largest in service co-ops. Overall, nearly one-half of the member-

ships in the five states were in farm supply cooperatives.

Iowa led all states in volume of farm supplies sold, followed by Minnesota and Illinois. Cooperative supply sales in Iowa totaled more than \$2.7 billion, Minnesota \$2.2 billion and Illinois \$1.7 billion. Leading states in marketing volume were California, Iowa, and Minnesota with \$8.2 billion, \$7.9 billion and \$7.4 billion, respectively. Iowa was the leading state in cooperative sales of feed, crop protectants, fertilizer and petroleum. Illinois co-ops led all states in seed sales and Wisconsin led all states in sales of other types of supply sales.

Information on farmer cooperative activity in individual states is collected every other year through USDA's annual survey of farmer cooperatives. Data are requested on memberships by state, origin of farm products marketed and destination of supplies and equipment. These data are tabulated to show memberships and commodity business volumes at the state level.

Total net business volume (excluding business done between cooperatives) in 1997 reached \$106.5 billion, equal to the record set in 1996. This includes marketing (the value of products sold, bargained for or handled on a commission basis), farm supplies (sales of fertilizer, crop protectants, petroleum, feed, and other supplies to members and patrons) and receipts from services, such as trucking, storage, ginning, drying, and artificial insemination and other income. ■

Strong Co-op Themes Emerge at Conference

More than 150 leaders from cooperatives, universities and government got a healthy dose of ideas for innovative roles and actions for cooperatives at the Farmer Cooperative 2000 Conference, held in Minneapolis, Minn.

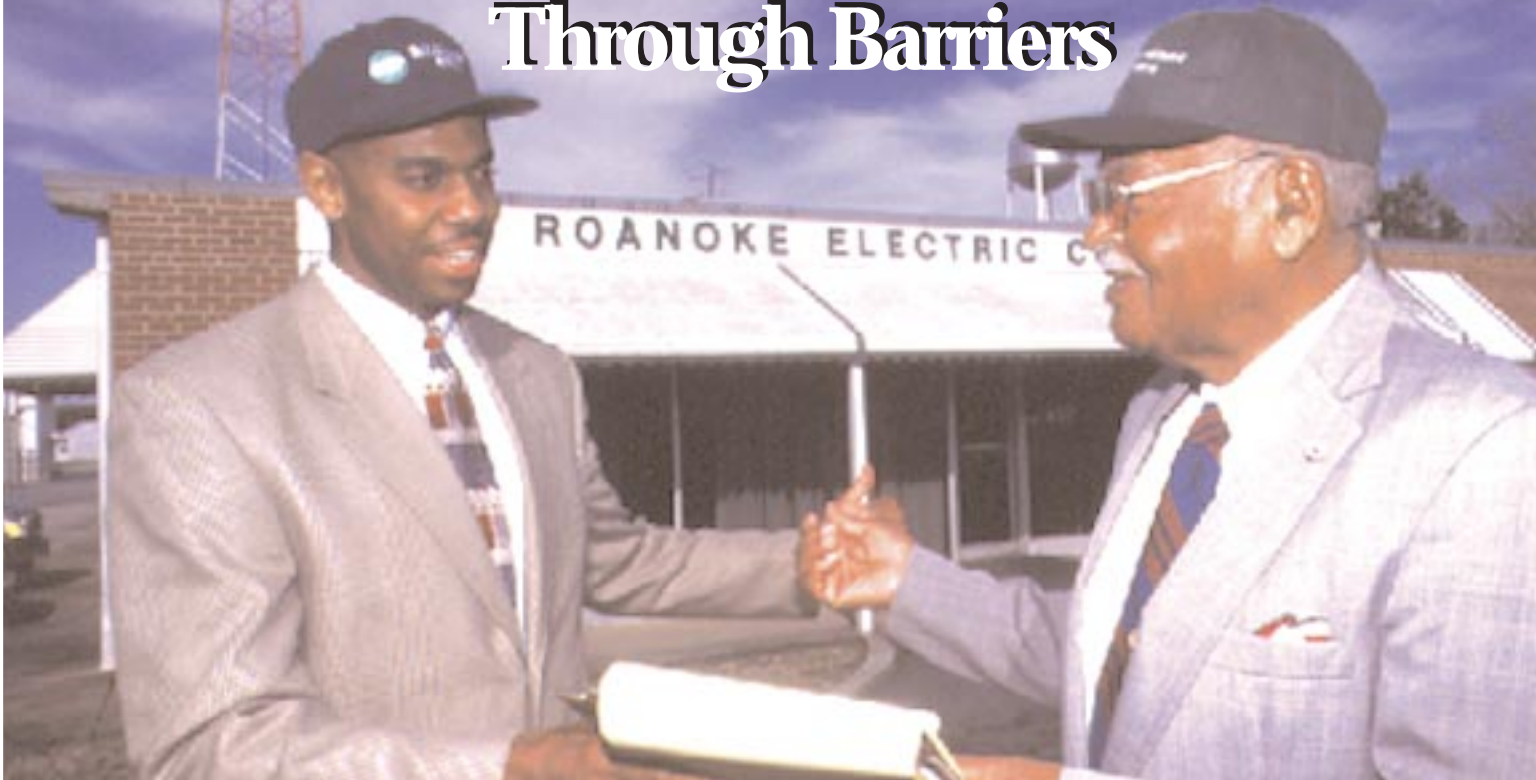
Sponsored by the University of Wisconsin Center for Cooperatives and the Farm Foundation, the conference was designed to serve as a catalyst for invigorated thinking about the future of farmer cooperatives. Speakers from cooperatives and government, along with university researchers and educators, assessed the powerful forces associated with an increasingly globalized and industrialized agriculture. They also considered what approaches farmer cooperatives should embrace to realize their full potential.

It was clear from the conference discussion that there is no shortage of models and ideas for farmer cooperative strategies. Several common themes emerged from the discussion.

- Key drivers from global and industrial trends in agriculture mean cooperatives need to re-evaluate strategies;
- Producers have a need for cooperatives to deliver financial returns to them and innovations in producer programs;
- Co-op size is important but excelling is essential;
- Finding adequate capital is a constant challenge. As they seek new business structures and alliances, cooperatives have an increasing need for capital, people resources and knowledge;
 - Increasingly, cooperatives are tying equity capital to marketing rights;
 - While exporting and global strategy is debated, there is no debate about the impact of global markets;
 - The role of co-ops when government supports are reduced is an area for policy and business evaluation;
 - Human assets of the cooperative and board and member education are more vital than ever;
 - Don't forget the value of cooperation, including networks, associations and bargaining.

For a more detailed summary on the conference, go to the U.W. Center for Cooperatives' Web site at www.wisc.edu/uwcc.

Roanoke Electric Breaks Through Barriers



This small North Carolina co-op makes history as it opens the doors of leadership to blacks

Catherine Merlo
Editor

Last December, one of the worst ice storms in recent history struck several Eastern states. In North Carolina alone, nearly 40,000 co-op customers spent Christmas without power.

Among the hardest hit areas in the state was the territory served by the Roanoke Electric Cooperative in northern North Carolina, where 3,000 residents had no electricity. For three long, hard days, from December 23-26, co-op manager Curtis Wynn, his office staff and his line crews scrambled round the clock to repair the damage caused to major circuits and a substation by ice-laden power lines and trees.

While residents pulled out their candles and flashlights, Wynn and his employees sacrificed their holidays to restore power as quickly as possible. By Saturday afternoon, the day after Christmas, the lights were on for all of the co-op's members.

For Wynn, the storm had been reminiscent of the power outages he had expe-

rienced with hurricanes when working for a Florida electric cooperative. It was also symbolic of his tenacity and ability to overcome obstacles in order to obtain his goals, including the cooperative position he now holds.

Up from poverty

Wynn grew up in a poor family, one of 10 children. He worked his way through college and earned a business degree. His resume includes nearly 20 years of progressive experience at electric cooperatives. He has a wife and children. But unlike any other chief executive officer among U.S. electric co-ops, Wynn is black.

In an industry that counts few blacks in leadership positions, Wynn is the first black CEO of an electric co-op in North Carolina, and perhaps the only black CEO of a rural utility in the nation.

Roanoke Electric is also the only known electric association among the nation's roughly 1,000 electric co-ops to have — not just a black CEO — but, concurrently, a black board president and a black majority of directors.

How did this small rural association, which ranks 21st in size among North Carolina's 28 electric co-ops and serves four of the poorest counties in the state, achieve this diversity in its leadership?

"The credit for this goes to the people of this area who have struggled to provide opportunities for minorities," says Roanoke Electric's Marshall Cherry, manager of member services and marketing. Cherry himself is the only black in North Carolina to hold that title at an electric co-op, and only the second at Roanoke Electric.

Based in the town of Rich Square, N.C., Roanoke Electric counts 13,800 members, 55 percent of whom are black, and nearly all of whom are dependent on agriculture for their living. They raise tobacco, peanuts, corn and some cotton, across a seven-county area in northern North Carolina.

Named for the nearby Roanoke River, the co-op was formed in 1938 to provide electricity to area residents. There were 317 members when Roanoke Electric first energized its original 56 miles of line in May 1939. The co-op's distribution system



has now expanded to more than 2,000 miles of line. Today, 95 percent of Roanoke Electric's demand, or "load," is residential.

As a co-op, it takes membership votes to put a board in place. And by that reckoning, the members of Roanoke Electric are responsible for making their co-op the first in the state to put blacks in key leadership positions.

But Wynn is even more specific. "It's all because of the vision of Matthew Grant," he says.

First, the board

At 80, Grant has seen change of almost every kind sweep his North Carolina homeland. Born poor, Grant grew up on a farm in Northampton County, not far from where he lives today. When he was six, his father died. His mother, says Grant, remarried "a good man" who helped pull the family through the Depression. When World War II broke out, Grant went to work in the shipyards of Virginia. He married and, after the War, returned home to farm. He became a member of Roanoke Electric in 1947.

But Grant wasn't happy with what he saw. Blacks were almost never hired at Roanoke Electric. "The janitor was black," Grant says. Black members, who made up the majority of the county, were not always treated well. "If you had a problem with



(Top) Serviceman Bill Parker was one of many Roanoke Co-op employees who worked round the clock to restore power to customers when North Carolina was hit by one of the worst ice storms of the century last winter. Photo courtesy Roanoke Electric Cooperative

(Bottom) Curtis Wynn and Line Superintendent Gordon Ray take a reading at one of the co-op's newest electrical substations.

your electricity or your bill, you were talked to like you were nothing," Grant says.

But through the 1950s and 1960s, as the civil rights movement spread, the black members of Roanoke Electric began to object more openly to the way they were treated and to having no voice in their association.

"In March 1969, due to pressure from the membership, the board appointed Rascoe Gilliam and me to serve as directors," says Grant. "At the annual meeting a few months later, we were voted in by the membership."

The two men had become the first black board members of any electric cooperative in North Carolina. But even then, Grant felt he had little power. "The other board members weren't rude, but I had no real say-so until we finally got a black majority," Grant says. "It took more than 20 years to get to that place."

As other board members served out their terms or died, Grant worked hard to encourage more black members to run for the board. "I'd tell them that the board is what makes the policies of the co-op," Grant says. "Once you're on the board, you can have some say-so. You'll be able not only to get to know the general manager but you'll be able to vote in the one that you think best."

Finding black co-op members to run for the board wasn't easy, Grant found. "So many of them had been taught that their vote just didn't count," he says.

But by 1991, Roanoke Electric's board had a black majority. Five of its nine directors were black. In 1993, Grant was elected board president. "My first goal as president was to get more jobs for blacks at our co-op," he says. Well aware that the board doesn't hire the co-op's employees, Grant looked for ways to open doors for blacks. Gradually, more blacks began to fill better-paying jobs at the co-op.

And then an even greater opportunity arose. Roanoke Electric's general manager announced his plans to retire. It was the



board's responsibility to hire a new manager. And, just maybe, Grant thought, it was a chance to open the door to a black candidate.

Opening the door

Five hundred miles away, at an electric cooperative in Florida, Wynn had reached the lowest point of his career. For 17 years, he had worked at the company, starting as a truck washer while still in high school. He had risen through several positions to become vice president of marketing and member services. He reported directly to the CEO.

But when the CEO's position became open in 1997, Wynn says he received only a perfunctory first interview. "I was given no official reason except that someone else was more qualified than I," says Wynn. "I didn't buy that."

Only 34, Wynn began to ponder his life and future career. Then Wynn got a phone call from a friend in Atlanta, who told him about the CEO opening at Roanoke Electric. "I had no intentions of applying for

Harold Miller and students in his Environmental Science and Electric Vehicle Technology class at Northampton County High School East celebrate another winning performance by an electric-powered car built by students at the school. The car runs on 16, 6-volt batteries, which are energized by a solar-powered charger provided by Roanoke Electric Cooperative. The school hosts an electric car race open to all schools every October (for more information, call Miller at (252) 585-0627).

it,” says Wynn. “I saw those ads all the time.”

But his friend, who is white, insisted that Wynn look into Roanoke Electric. The friend told Wynn about Roanoke Electric’s black-majority board, and that it was rumored black applicants might have a chance. “He saw opportunity for me at Roanoke Electric,” Wynn says. “The more I inquired, the better I felt about what was happening at Roanoke.”

Once again, Wynn got only one interview. But this time, the outcome was much different. Two hours after the interview, Roanoke Electric extended an offer to Wynn. He accepted, and began managing the co-op on Oct. 13, 1997.

“This is the opportunity of a lifetime, and one that I never imagined would become a reality,” Wynn says. He praises Roanoke Electric’s diverse board for giving him a fair chance to compete for the position. “I was chosen based on my merits and abilities, nothing else.”

Roanoke’s board had interviewed both white and black candidates. “But Curtis was the one with the best resume,” says Grant. “He was the one we liked the best.”

Making changes

Wynn is not only the first black CEO at an electric co-op but, at 35, is one of the youngest. He has been described as eager, aggressive and knowledgeable. Already, Wynn has begun implementing changes he thinks are necessary to bring progress to Roanoke Electric, its members and its 57 employees. He has worked to modernize the co-op’s computer network system and to boost staff development.

“We have an excellent group of employees who are eager to move our organization into the next century,” he says. “They have expanded their horizons to better serve our members.”

With an eye on energy deregulation, Wynn has begun exploring how the co-op might diversify into other products and services, such as selling propane gas



through a joint venture. As an energy services provider, Roanoke Electric might one day become an Internet Service Provider or sell home security systems. “We’re considering different approaches,” Wynn says.

Wynn is also trying to get local youths to take advantage of opportunities, such as Rural Electric Youth Tours and scholarships, which can show them the opportunities that lie outside of their immediate environment. To co-op members, Wynn stresses the importance of attending meetings, of joining committees, of running for various positions. “If you’re not in that group of decision makers, you never know about the opportunities and possibilities,” he says.

Aware of the impoverished economic base in Roanoke Electric’s service area, Wynn established an economic development department at the co-op. “We’re trying, through various loans and grants that are available, to bring more industry and jobs to this area,” says Wynn.

“We’re trying to make a big difference in this community,” he adds. “We want to be more than an electric company that collects from people who can barely pay their bills. We want to make Roanoke Electric

North Carolinians—such as Linfent Rose (left) and Terrica Binson—throughout Roanoke’s service territory count on their cooperative to deliver quality service.

a huge, visible giant in the community we serve by giving back as much as we can.”

The leadership Wynn provided in dealing with the ravages of the ice storm last December is just one example of how the co-op’s new manager is fulfilling the promise the board sees in him. “Curtis is doing a tremendous job of leading this organization into the next millennium,” says Grant, “and everyone who works for us is proud that we found him.”

If there was ever a high point in Wynn’s life, it’s now, he says, “career-wise, family-wise, spiritually.”

And if Roanoke Electric ever had a finer hour, it would be hard for people like Matthew Grant and Marshall Cherry to know when that might have been. They are convinced that their co-op shines like a beacon, offering proof that a qualified individual such as Wynn can succeed when given a chance, and sending hope that opportunities do exist for minorities in the rural electric industry. ■



(Left) A modern FernTrust Leatherleaf fernery near Seville, Fla. (Below) FernTrust produces a variety of specialized foliage products ready for sale in supermarket floral departments. Photos courtesy FernTrust



FernTrust Inc.

Seville, Florida

Co-op type: Agricultural marketing co-op engaged in harvesting, packing, marketing and sales of a wide range of cut ferns and other foliage for floral use. Formed in 1986.

Geographical area served: FernTrust sources its core products from member acreage in two north-central Florida counties. The co-op also acquires complementary foliage products from the Pacific Northwest, Central and South America and Italy.

CEO: William M. Dellecker, executive vice president.

Number of plants/locations: FernTrust members produce ferns and other foliage on 328 acres in Florida. (The state supplies some 80 percent of the cut foliage used by U.S. florists.) When the foliage is harvested, it's processed in the co-op's central packing facility in Seville. In 1994, FernTrust renovated a historic citrus packinghouse and converted the 24,000-square-foot building to a state-of-the-art facility for cut foliage processing. The building features a system of special coolers to condition foliage

for maximum post-harvest life. This Fern-Cool process is unique to FernTrust.

Annual product volume/sales revenue: In 1998, FernTrust processed nearly 4 million bunches of cut foliage, representing \$4.5 million in sales.

Number of members: 14.

Number of employees: 100.

Markets: In addition to a diverse floral customer base throughout North America, FernTrust generates nearly 40 percent of its sales through exports to Great Britain, the Netherlands, Saudi Arabia and the Netherlands Antilles.

What's unique about this co-op: "The fern industry is characterized by many small, independent growers, and relatively few large grower-shippers," says Dellecker. "FernTrust ranks among the larger companies and is the only marketing cooperative of its type in the industry." FernTrust has distinguished itself by establishing grades and standards for cut foliage and by offering custom packing services.

Biggest changes/trends taking place in the fern industry? Distribution and

buying in the United States and international floral markets are consolidating as regional wholesalers join together. Very significant national consolidations have taken place within the last year. "Additionally," says Dellecker, "supermarkets are steadily becoming a much bigger factor in the floral industry as they move beyond simply offering pre-made flower bouquets." At a producer level, higher cultivation and labor costs have squeezed margins since market pricing has remained stagnant or even declined in some cases due to market pressure from large wholesale buyers.

Philosophy that drives this co-op: "FernTrust's grower-members bring together a cooperative trust of acreage, assets, talents and efforts," Dellecker says. "This base supports a continuing commitment to earning their customers' trust by providing floral products of exceptional

quality and value, backed by dedicated customer service."

Plans to keep viable in the 21st century: To concentrate on continued development of its value-added services directed to the needs of different market segments. Also, to work in partnering relationships with existing key customers and potential new ones. "These efforts are aimed at creating market recognition and stimulating demand for FernTrust's products rather than having them perceived only as commodities in a market that's historically been dominated by this view," Dellecker says.

FernTrust also is studying opportunities for achieving further consolidation at a producer level to present an even stronger source of production to the larger consolidated buying and distribution groups emerging in the floral industry. "Such producer consolidations should also help growers restore, and then maintain, satisfactory margins," says Dellecker. ■

At Your Disposal

Smaller livestock operations can reduce pollution and large capital expenditures by forming a waste management cooperative

R. Wade Binion

Agricultural Marketing Specialist

Although the farming community generally has a high regard for environmental conservation and pollution control, livestock owners are constantly faced with the challenge of increasing production while still using environmentally sound management practices. Most farm operations have been voluntarily addressing this issue for years, regardless of the size of their operation. However, the disposal of livestock waste in accordance with governmental regulations will continue to be a growing concern.

Very often pollution in our waterways and groundwater is attributed to runoff directly from livestock operations or as the result of manure spread on cropland as fertilizer. "Dairy Waste Causing a Stink", or "Maryland Lawmakers Pressured on Farm Pollution" are just two examples of articles that have appeared in various publications throughout the country in the past few months.

Pollution concerns

In the summer of 1997, an outbreak of the microbe *Pfiesteria piscicida* in the Chesapeake Bay caused the death of thousands of fish in the waters of Maryland and Virginia. Some scientists believe the widespread presence of *Pfiesteria piscicida* resulted from high levels of nitrogen and phosphorus in bay waters, with the probable source being runoff from surrounding farms that use manure-based fertilizers. In response, states that border the Chesapeake Bay have proposed various limits and controls on the use of manure based fertilizers.

These types of controls are not unique to the Chesapeake Bay area. In North Dakota, for example, state law prohibits the feeding of livestock within 60 feet of the top bank of a lake or stream. And Ohio has established an Animal Waste Pollution Abatement Program. This program

requires operators of facilities with more than 1,000 animal units, or that maintain a controlled discharge waste management system, to obtain approval and other permits from the Ohio Environmental Protection Agency (EPA) to operate a manure management plan. Other state regulations range from strict mandatory restrictions to voluntary guidelines designed to assist farmers in alternative means for disposal or use of animal waste.

Pollution from livestock operations has also become a federal concern. In March 1999, Vice President Gore released the National Strategy for Animal Feeding Operations. Developed jointly by the United States Department of Agriculture (USDA) and the federal EPA, this document is designed to control the disposal of waste by both growers and processors of animals. The federal strategy should also ensure that all states enforce the same regulations.

Waste management practices

Farmers have been voluntarily addressing pollution from water runoff from individual farms through the use of "best management practices." These practices are designed to control non-point source pollution. They involve either diverting water away from stored manure or controlling the flow of runoff water away from existing bodies of water through the use of vegetative cover, terracing, conservation tillage, controlled grazing, and diversion systems.

Other more intensive waste management systems available to livestock and poultry operations include composting, solid separators that use anaerobic or aerobic digestion, and bio-digestion. Most of these systems can be designed to fit various sizes and types of operations. However, each one can require a large initial capital investment and can be very labor intensive to operate.

Composting, which is widely used in the poultry industry, breaks down the organic matter of animal waste under con-

trolled conditions. The resulting end product is lower in volume and nutrient content, reducing the risk of pollution. While basically a simple process, composting can be very labor intensive and can require a large storage area, making it difficult for the small livestock operator to maintain.

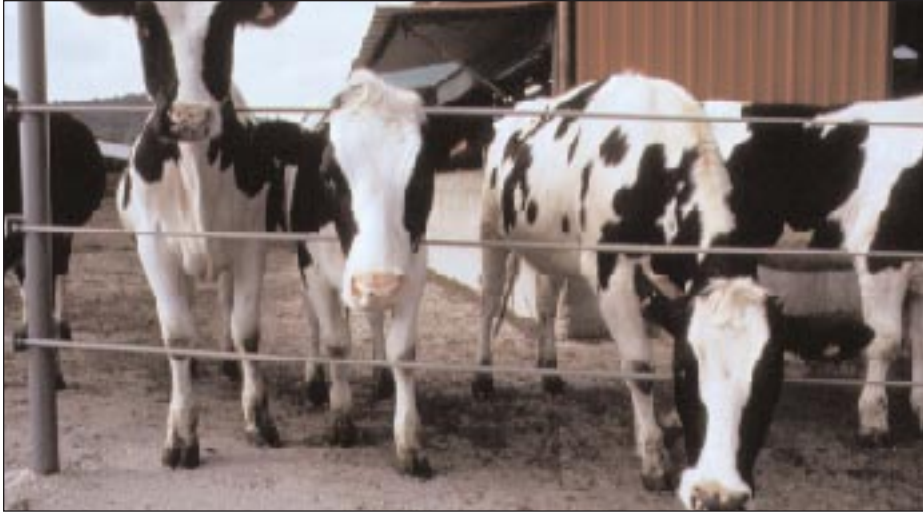
A solid separation system consists of a large storage tank or lagoon that uses gravity to separate solid matter from the liquid over time, while breaking down the organic matter through anaerobic or aerobic digestion. After the solid portion has settled out, the diluted liquid is siphoned off. Both can then be disposed of in a more controlled manner, such as on days when no rain is forecasted, reducing the threat of pollution.

More advanced solid separation systems use a centrifuge to spin the manure and leave a dense compacted solid. Although this type of system will separate the solids and liquids much more quickly, it requires a much larger capital investment to construct.

Bio-digestion is the most complicated and capital-intensive system. This type of system combines solid separation with a method of collecting the methane gas that is emitted during the anaerobic process. Although highly capital intensive, bio-digestion derives economic benefit from the three end products it generates: a liquid organic fertilizer, a solid material that can be used for composting, and methane gas that can be used as an energy source.

In one instance, a 4,690 cow dairy operation in Arizona has been able to save nearly \$200,000 a year in electricity costs by using the methane gas produced from its bio-digestion system. Although this is a very large dairy, the general manager of this operation firmly believes a biogas system could be an economically viable option for any dairy with a herd of at least 100 cows.

Even so, smaller livestock operations with limited space, labor, or financing may find it too economically difficult to con-



struct and operate any type of waste management system. According to a study from the Texas Agricultural Extension Service, the \$107,071 initial investment needed to construct a waste management system for a 300-cow dairy was 70 percent greater than the \$150,509 needed for a 720-cow dairy herd, when evaluated on a per-head basis.

A cooperative alternative

Given this, a cooperatively owned and operated waste management facility could be an excellent alternative for smaller livestock operations. Already, there are examples of individual producers who found that operating an individual waste management systems was not economically feasible, regardless of type or size, and have utilized cooperative principles and practices to share the cost of constructing and operating a waste management system with other producers.

In northwestern Connecticut, the Blackberry River runs through the Canaan Valley, eventually becoming part of the Housatonic River Watershed. The nearly 2,500 head of cattle in the valley generate close to 45,000 tons of manure each year. Disposing of this large volume of waste can be difficult during the winter months when the ground is usually frozen and covered in snow.

As a result, five farms in the valley have taken a proactive approach to reducing pollution in the watershed by forming a jointly owned and controlled waste management cooperative. Initially, the cooperative was to operate a storage facility, solid separator, and manure digester at a single site that would be used by all members. The cooperative would then store liquid waste for use when the ground was not frozen and then compost the solids for sale commercially.

Once the cooperative began organizing, leaders determined that a multi-site facility would be better logistically than a single-site operation. Each site uses a different waste management method. The cooperative has been essential to the success of this venture by allowing the individual operations to share labor and equipment costs. The cooperative is also responsible for administering permits, financing and supervising facility construction and operation.

The Methane Energy and Agriculture Development (MEAD) Project is another cooperative venture being planned in Tillamook County, Oregon, as a joint working effort of public officials, a private enterprise, and a local cooperative, MEADCO. When completed, the privately owned company will construct and operate an anaerobic digestion facility that will operate on manure supplied by 15 dairy farms in the county. Current plans call for the facility's owner to sell the biogas and soil end products from the process commercially and return the liquid nutrient end product to the cooperative members.

Tests on the liquid nutrient end product have shown that it is free of pathogens

such as fecal coliform and weed seed, is less odorous, and contains a more readily available ammonium form of nitrogen. This should reduce the risk of groundwater contamination and lengthen the window of time for spreading the waste during rainy seasons.

If successful, this will help farmers operate within Oregon Department of Agriculture's Confined Animal Feeding Operation (CAFO) oversight program. This program is designed to prevent pollution of groundwater in part by assigning a maximum number of cows for each dairy based on such factors as manure storage facilities and manure application processes.

A cooperatively owned waste management system can offer an economically viable solution to smaller farm operations in managing animal waste in an environmentally sound manner. If you are interested in information on cooperatives, contact USDA's Cooperative Services, Cooperative Development Division at Stop 3254, 1400 Independence Avenue, SW, Washington, DC 20250-3254; or call (202) 720-3750. ■

On-farm livestock waste lagoons can create environmental hazards if not properly designed and maintained. Some farmers are turning to cooperatives to help meet this challenge. USDA Photos



Cooperatives Online

Co-ops are staking their claim in the boomtown called the Internet

By Patricia Miller

Editor's note: Miller is a freelance writer based in Minneapolis, Minn., who has broad experience working for and with cooperatives.

By the end of 1999, it's estimated that 300 million people will be using the Internet, and that it will rack up revenues of \$3 billion. So how do cooperatives — especially rural cooperatives — fit into this electronic marketplace? Fire up your computer, grab your mouse and let's surf!

Check out the addresses

Cooperatives, whether they are large or small, already have staked their claim in the boomtown called the Internet. The

list of online co-ops reads like a cooperative *Who's Who*, with rural electrics, telephone cooperatives, farm supply, grower, dairy and service cooperatives and their national trade organizations well represented.

But what are they doing online? First and foremost, they're creating a presence — letting members, consumers and the general public know they're out there. They're telling their story — of their business, their products, services and history — to a brave new audience that may know them well, or not at all.

Many co-ops will admit they first launched a Web site because everyone else was doing it. But they quickly point out the business goals and strategies behind their sites. These aren't placeholder sites, they're hardworking sites that are evol-

Farmers like Chris Dunsmore from Renville, Minn., learn about—and often access—new products and services offered through co-op Web sites. (Photo by David Lundquist, Cenex Harvest States/Land O'Lakes.)



Visitor's Guide

Here's an easy reference list for those co-op Web sites featured in this story. Please note that USDA does not warrant the information contained on the cooperative's Web sites, nor does it recommend the products or services of these co-ops over any other products and services in the marketplace.

Agway, Inc.
www.agway.com
Blue Diamond Growers
www.bluediamondgrowers.com
Dairylea
www.dairylea.com
Darigold
www.darigold.com
Equity Cooperative Livestock Sales Assn. www.equitycoop.com
Farm Credit Leasing
www.fcleasing.com
Farm Credit Services
www.farmcredit.com
Farmland Industries
www.farmland.com
Land O'Lakes, Inc.
www.landolakes.com
Logan Telephone Cooperative
www.logantele.com
National Council of Farmer Cooperatives www.nfc.org
National Milk Producers Federation
www.nmpf.com
Nationwide Insurance
www.nationwide.com
Pennsylvania Rural Electric Assn.
www.prea.com
Select Sires, Inc.
www.selectsires.com
Sunkist
www.sunkist.com
USDA Rural Development
www.rurdev.usda.gov
Welches
www.welchs.com



Producers check the Cenex Harvest States and Land O'Lakes Web sites for everything from emerging agricultural technology to producer financing.

(Photo by David Lundquist, Cenex Harvest States/Land O'Lakes)

ing as the co-ops learn more what their growing online audience needs and expects from them.

"A Web site isn't like a brochure that once it's printed, its done," says Lydia Botham, director of public relations for Land O'Lakes. "A Web site is a communication piece that is constantly changing to meet the needs of the audience and to keep them coming back. Changing, updating — it's what they expect from this technology, and it's our challenge to meet their

expectations while advancing our business goals."

In addition to providing information, co-ops now conduct real-time livestock auctions, sell products, allow members to check their financial accounts, sign up for new services and much more. Here are what some online cooperatives have to offer.

Information in bloom

Blue Diamond Growers, Sacramento, Calif., is one of a host of grower/producer co-ops on the Net. Along with Sunkist, Welch's and others, it provides general information about the cooperative as well as specific information for growers. One of the newest additions is the "Bloom Report Web Cam."

Every day, the site posts photos of four almond trees — one in each of the co-op's growing regions — to show the progress of the bloom, which in large part will determine the success of the upcoming crop. The same trees are featured every day and will be followed on the site through harvest. Along with the "bloom cam," there's a weather report, which includes bee activity and a chart showing bloom progress.

"It's being used by everyone right now — brokers, buyers, growers, school kids," says Diana Manges, public relations and advertising coordinator. "The idea came from our sales and marketing department based on the large volume of daily calls requesting information about the progress of the crop. Now people can check it out for themselves."



Becky Lyle, a grain producer from Ritzville, Wash., can use her laptop computer to access up-to-the-minute information offered by her local farm supply co-op. (Photo by David Lundquist, Cenex Harvest States/Land O'Lakes)

Manges says the Web site adds value for members, customers, consumers and employees because information is accessible when they need it. "We want to be the No. 1 almond handler and we want to be seen as the No. 1 Web site to come to for almond information."

On the hoof

The smell of the sale ring and the call of the auctioneer may be absent, but that's all that is missing from Equity Cooperative Livestock Sales Association's online, real-time livestock auctions. The co-op launched its first nationwide online sale in mid-1998.

Bidders register for the sale, which begins precisely on time. The livestock is described in writing, then the bidding begins. Following each bid is a 10-second bidding "window." Anyone interested in upping the bid hits the "bid" icon on their

screen and watches to see the bid accepted. The auction continues until 10 seconds elapse without a new bid. Just like in a "live" auction, the livestock goes to the highest bidder. Buyers are billed for the animals on delivery.

"Our Internet auction is an extension of the electronic marketing system we've had in place for 20 years," says Dave Johnson, vice president of marketing. "This was the logical next step as we looked at ways to make the auctions more efficient and reduce marketing costs for both buyers and sellers. The online auction also helps determine a fair market weight, is very competitive and very anonymous. And it's easier on the animals because they're not moved from the farm or feedlot until the online auction is complete." For customers looking to improve their herd genetics, Select Sires offers its stock of semen and embryos for sale online. Customers can browse through the online catalog of dairy and beef sires and dams.

Internet access

One of the biggest obstacles for rural areas is access to the Internet. In 1995, Logan Telephone Cooperative of Auburn,

Ky., became an Internet Service Provider (ISP) and launched a Web site to offer tips and technical support for Internet use. The co-op, which has about 7,000 customers, now has nearly 1,400 Internet subscribers.

"Until recently, we were the only ISP for this area," says Stacey Biggs, public affairs and marketing coordinator for Logan. "Our customers can access the Internet for the cost of a local call. We never expected to have so many subscribers, and the service just continues to grow. In December we signed up nearly 170 new users."

Biggs says customers also can use Logan's Web site to get billing information, switch long-distance carriers and more. "The site, and being an ISP, gives us great exposure in our community," she adds. "Logan's home page is the default for our ISP customers when they log on to the Internet, and I use it to publicize new services and features."

Members only

Increasingly, cooperatives are including a "members only" section on their Web sites, accessible only by password. Several dairy cooperatives — including Dairylea, Darigold and Land O'Lakes — offer these secure pages so producers can access test results or milk check information. Agway Inc. recently added a secure site just for its board of directors.

"Our Web site is a major vehicle for marketing and information about our cooperative," says Steve Hoefer, vice president of public affairs for Agway. "It represents the phenomenal change in the marketplace, and the need for everyone in the co-op to be constantly learning and adapting. We saw that our board needed to be part of this process, too."

So, Agway developed a directors-only Web site as part of its expanded board education program. Each director received a laptop computer, and Agway provided them with Internet access. On the site, directors find minutes of board meetings, a

current calendar, PowerPoint presentations they can adapt for their own use and more.

"We've found the site really facilitates communication with and for the board members," Hoefler says. "It encourages them to learn new things and share that information fast."

At your electric service

The Pennsylvania Rural Electric Assn. first launched its Web site in response to changes in the energy industry. The co-op knew consumers would be facing a bewildering array of choices as the industry becomes more deregulated, and PREA wanted to provide them with up-to-date and easy-to-understand information about the changes.

"Being able to keep our customers informed justified the initial expense of the site," says Perry Stambaugh, editor and director of communications for PREA, which serves 600,000 consumers of 13 member co-ops in Pennsylvania and New Jersey.

Stambaugh says the site's new Y2K section also has been attracting attention from users and the key graphic on the home page — a lineman at work — follows through with PREA's latest image campaign.

From equipment to home equity loans

Whether customers are looking to lease agricultural equipment, apply for a home equity loan, check their bank statements or make an insurance claim, they now can secure these services on the Internet.

Farm Credit Services not only allows customers to apply for loans online, but the organization soon will allow online payments as well. The home page for Farm Credit Services also links customers to local branches.

Need a tractor, Terragator or milking parlor equipment? Farm Credit Leasing offers a wide variety of equipment for lease to agricultural customers.

Adding a Web site to your cooperative business toolbox

While many cooperatives will admit they launched a Web site to "keep up with the Joneses," they're also quick to outline the thinking and strategies that provide the business foundation of their site. Jana Bourne, of Avatar Digital Media (www.avatar.net/cca), frequently advises cooperatives on developing and improving their Web sites. Here are some tips she offers to help make your Web site a valuable addition to your business toolbox.

Know your audience. As with any communication tool, it's essential to know whom your Web site — and each of its sections — is targeting. Develop the content, as well as the design, to fit that audience. For instance, there's nothing fancy about Equity Livestock's live auction page. It just needs to provide the basic information for participating in the auction, with no frills or glitz tacked on.

Form a team. One of the best models for a Web site team is: product managers (who know the audience); marketing communications specialists (who know the company and understand content creation); and technology professionals (who know the technology and its capabilities).

Develop a strategic business plan. Whether you're just launching a site or are expanding an existing one, your Web site should have its own business plan. As you develop a plan, clarify the site's purpose, what messages you want to communicate and how you want to position your cooperative. Identify goals and set priorities.

Set a budget. Your budget should encompass: graphic design and writing; HTML programming and advanced software applications, including forms and security; bandwidth, marketing your site; and content and programming maintenance.

Measure success. Your goals and objectives will help you determine the success of your site. There are a number of surveying instruments available that can measure not only the number of visitors coming to your site, but how long they stay and where they go.

Customers can read descriptions of the new and used equipment online and arrange for the lease as well.

For insurance services, customers can turn to Nationwide Insurance's site. Some of the services include auto insurance quotes, claims information, the location of the agency nearest you, plus descriptions of the company's full line of insurance policies.

At the industry level

To learn what's new in the cooperative world, members can visit sites provided by trade organizations such as the National Council of Farmer Co-operatives and National Milk Producers Federation. These groups not only explain their mission, but keep members up-to-date with legislative matters.

What's for dinner?

Food marketing cooperatives such as Sunkist, Farmland Industries and Land O'Lakes all give consumers a helping hand when it comes to preparing great-tasting meals — featuring their products, of course.

At the Land O'Lakes site, not only can consumers create their own "recipe box," but they also can choose a menu, complete with shopping list. One new feature of the site allows harried cooks to check their pantry, type in the ingredients they have on hand and then receive suggested recipes using those ingredients.

"Consumers come to our site because they want information on products, they need help with meal planning or they're looking for a special-occasion recipe," says Lydia Botham, director of public relations for Land O'Lakes. "And they want to do it on their time, when its convenient to them, not when our 800 number is in service or when the information finally reaches them by mail."

Visitors to the site also can purchase cookbooks and Land O'Lakes-identified merchandise.

On the grow

Cooperatives' presence on — and their business use of — the Internet will only continue to grow as customers, members and employees demand it, and as they look to the future direction of their business and see how the Internet can help them achieve their goals. ■



Almond growers may see their crop firsthand as they drive past their orchards, but for brokers and buyers, the next best thing is Blue Diamond Growers' Web site. It offers a new photo every day to show the trees' all-important bloom progress. (Photo by Catherine Merlo.)

Restocking the Breadbasket

Cooperative development efforts in Ukraine are helping farmers rebuild their agricultural system

Jerry C. Namken

Senior Resource Economist
USDA Natural Resources Conservation Service

Editor's note: Namken spent nearly two months in late 1998 in Ukraine working on a project for USDA's Cooperative State Research, Education, and Extension Service. Following is his report on Ukraine's transition from the Communist system to a new market economy.

International agricultural cooperative development in the former Soviet Union is not just an exciting field to work in but a challenging one as well. Differences in tastes, production methods, government interventions, taxation, infrastructure and market diversity make improvements difficult enough by themselves. Add the language barrier and distrust from years of Soviet government rule and the task becomes nearly impossible.

However, some farmers seem to prevail in spite of such obstacles. Slowly but surely, countries in the former Soviet Bloc are entering into market-style economies. Ukraine is one of these. In the dynamic process following *perestroika* (major economic reforms), marketing trends among private farmers in production, marketing and retailing are becoming clearer in the Oblast (state) of Odessa.

Part of this process involves USDA's Commercial Agriculture Development Program, a cooperative development project funded by the Agency for International Development and implemented by USDA's Foreign Agricultural Service and Cooperative State Research, Education, and Extension Service (CSREES). This pilot effort is educating privatized farmers about Western-style cooperative principles and helping them organize and run their own businesses.

This is an important addition to Odessa Oblast. Part of the breadbasket of the former Soviet Union, the area enjoys a moderately continental and comparatively dry climate. The deep-black loamy soil is not-

ed for its wheat, sunflower, and wine production. The Oblast also has a port terminal on the Black Sea at Odessa, making it

an ideal region for the transition of the land from government ownership to private ownership.



Project member Lewis Beckham inspects the wheelhouse of a Ukrainian tractor.
USDA Photos by Jerry Namken

Conservation and the environment

Although the 1986 Chernobyl nuclear disaster took place in the extreme western part of the country, conserving Ukraine's important resources has been a priority. Askaniya-Nova, Ukraine's first nature preserve, was established in 1921 and endangered species are bred there. A Ministry of Environment has been established to levy taxes on air, water emissions and solid waste disposal. The revenues are

to be used for environmental protection activities. The system, however, is somewhat lax.

The conservation of natural resources is expected to become more important as more lands go into private hands. Under the old system, the government directed and applied conservation to the agricultural lands operated by the large collective farms. Production, rather than profit, was maximized on these farms.



A large variety of products are available for sale or barter at the Co-op in Belgorod.

Newly private farmers, however, are more concerned with profits. Conservation efforts that might have taken place under the old system are often discontinued in order to save money. There is a need, though, for Ukraine's very productive agricultural lands to retain their sustainability for economic, social and environmental reasons.

Trends in farmer groups

Four types of producers are taking root to secure their future in the emerging Ukrainian economy. The state-owned collective farms still enjoy the lion's share of the government's support, while some private businessmen have developed large-scale agribusinesses that include farms in their corporate structures. Those most in need of help are the medium-scale private farmers, who produce much more than they consume. The fourth type are the small-scale private farmers (or dacha owners), who are mainly subsistence producers.

Collectives

While many agricultural collectives were physically or economically raided into non-functioning shells following the early days of perestroika, others simply quit producing because they lacked inputs or capital for operating, or could not sell their products for cash. However, a good many agricultural collectives survive. Government taxation practices keep these businesses in place, but only by not following up on bad debt. These collectives still suffer from the inefficiencies of the old system, with no cash to pay labor, purchase inputs or cover the costs of production. In addition, managers often have little experience in marketing their commodities.

The justification for the government's continued support of these large collectives follows a countrywide plan for privatization of state-owned lands. It would be impossible to change overnight from state owned and directed agricultural produc-



A new sunflower oil press is examined by sales staff at a co-op store.

tion to privately owned and directed production without a catastrophic loss in production and a terrible effect on the population.

Also, while the collectives are often inefficient, they still produce the largest amounts of the country's agricultural commodities. Distribution and marketing channels are in place to ensure commodity supply to the urban areas. Many people are employed in providing these services.

People continue to work on the collectives, often without being paid. Having no cash, collective managers often pay employees with bartered inputs or production from the collective. Still other collective members pilfer these inputs and act as pipelines to supply themselves and friends. (The going rate for a small bottle of vodka is one tankful of diesel.) Bartering government supplies of such inputs as diesel, fertilizer and pesticide from collectives is widespread throughout the Odessa Oblast.

Bartering

Collectives run up huge debts, which are written off by the government. To offset the lack of sufficient funding, the government taxes heavily (20 percent) for value-added sales in all sectors of the economy. It imposes a 30-percent service tax, in addition to the cost of operation, for anyone using a service business such as milling, crushing, etc. There is even a 10-percent tax on the depreciation of capital goods.

Such taxes afford no incentives for this agriculturally based country to move to a cash economy. The government uses revenue accountants to tax cash and value-added transactions. Great creativity as well as different sets of books are sometimes employed by private citizens to circumvent these "tax police."

The government bureaucracy is not, however, set up to tax bartered goods. Bartering is a complex art of knowing where current supplies and demand exist. There are big winners as well as big losers. Some Ukrainian economists estimate that 30-40 percent of a commodity's value is lost through barter transactions.

It is not uncommon to hear of complicated turnarounds. For example, a large-scale producer might receive tractor parts on credit as payment from a collective. He will then trade the tractor parts to other farmers for their wheat. He will then mill the grain into flour, with part of the grain given to the miller as payment. The flour then will be shipped to the Chernobyl Oblast in western Ukraine and traded for building materials. Eventually, the materials will be backhauled to the Odessa Oblast, where building supplies are in short supply. These are then sold for cash on a piecemeal basis to pay off the debt for the tractor parts.

Large-scale producers

Many of today's large-scale farm producers were, in the past, managers of collectives that have ceased to exist. Oppor-

tunistic and hugely entrepreneurial in spirit, many of them were able to secure loans from the government during perestroika to buy land and purchase equipment from bankrupt collectives. They paid off these loans at accelerated rates during the period of high inflation following perestroika. These producers estimate that it usually takes 300-400 hectares (about 740-990 acres) to farm profitably.

These large-scale producers are often more like agribusiness managers than they are large landholders. Unusually inventive of ways to circumvent government taxation, they put in their own processing and value-adding facilities and open retail stores in order not to pay taxes up front.

Using wheat as an example, costs of producing one metric ton might be about 120 hrivnas. The hrivna is the Ukrainian currency; it takes about 4.25 hrivnas to equal \$1. At the farm gate, one ton of wheat would sell for 200 hrivnas. The 20-percent value-added tax is paid on the 200



Small packets of vegetable seeds are in big demand by dacha owners.



Farm equipment ranges from the old to the new at a museum of agriculture outside the capital city of Kiev.

hrivnas, not the 80 hrivnas. Milling would produce enough flour for about 2,000 loaves of bread, plus some waste that could be fed to hogs. A loaf of bread can sell for about 1 hrivna.

A producer, then, would rather pay 20 percent of 2,000 hrivnas in taxes rather than 20 percent of 200 hrivnas, even though there would be some added costs from milling and baking. If the producer owned his own mill and bakery, he would not incur the 30-percent service tax.

Representing the probable future of Ukrainian farming, these producers are

going to great lengths to establish retail stores. The final consumers are the holders of cash in the country. But the amount of money transacted in each sale is very low, and it takes some time and many transactions to accumulate sufficient working capital.

Medium-scale producers

Owning anywhere from 10-100 hectares (about 25-250 acres), these landowners represent many of the newly "privatized" farmers. Many are highly educated and were trained during the days of the Soviet Union, and are the professionals on whom the former collectives depended. Now, disgruntled with the old system, and

as new farmers, they often express the desire to remain independent of the collective system and place high value on making their own decisions.

These farmers represent the group of producers with the greatest needs. While they have developed their own sources for seed, pesticides, fertilizers and farm equipment in the last six years, their ability to improve crop and animal production has been reduced by limited access to high-quality genetic seeds, reliable farm inputs, and modern planting, cultivation and harvesting techniques and machinery. Because many do not have farming backgrounds, their level of education relating to crop genetics, production practices, and farming economics is also lacking.

The size of their operations is also a factor. While many have farms that are too small to provide a good living, they persist in the hope of growing larger in the future. Many of these farmers have developed their own informal cooperative arrangements to share planting, cultivation and harvesting equipment. Because of the tax situation, access to cash markets at post-harvest time is not deemed important. Rather, what they want is access to value-adding processes such as storage, processing, milling, packaging, distribution and, finally, to retail markets where the cash is available.

Small-scale producers

The fourth type of producers are the small-scale dacha owners. In Ukraine, private citizens are entitled to two hectares (five acres) on which to build a home. Many citizens build their homesteads on the outskirts of rural villages and grow a variety of garden produce to supplement their income. Usually they pickle, smoke and store enough from the two hectares to see themselves through the year.

Even these small plots of land are used for agricultural production. Some estimate

that 5 percent of the population is involved this way. Yet, these private farmers account for 20 percent of the country's agricultural production.

Unlike subsistence farmers in some Third World countries who consume about 80 percent of what they produce and market the other 20 percent, these producers consume about 20 percent and market the rest. Their plots receive intensive care throughout the production cycle. By saving seed from year to year, planting vineyards or orchards and cultivating and harvesting by hand, they reduce the need for farm inputs. Furthermore, inputs require cash, which is hard to come by.

These farmers need markets — preferably markets that are nearby because they can't afford the cost of transportation for even small amounts of their production. They need markets that are easily accessible by the general population and by the entrepreneurial traders and distributors that travel the public roads.

Organizing cooperatives

The development of the Commercial Agriculture Development Program has been dynamic. Initial surveys among pri-

vate farmers indicated that education of cooperative principles, agronomy and marketing knowledge were what was needed.

Before long, however, producers felt that lowering their input costs would result in increasing their net profit and, thus, put money in their pockets. Also, large multinational companies arrived on the scene and it was felt that they represented a source of credit for producer-owned cooperatives.

With this in mind, three groups of farmers in three different riones (counties) were assisted in organizing cooperatives to start farm input stores. These private farmer groups were identified by the Ukrainian government. A fourth group was identified by the National Farmers Union and also received assistance.

These four groups are located in Belgorod Dnistrovski, Ivanovski, Lubashovski and Artsiski. The first three groups share some of the same characteristics. Each board of directors is primarily made up of a few producers (8-15) who worked together under the old collective system. Trust, or rather a lack of trust for those they don't know, has kept membership numbers small.

A second trait is that few of the members of the boards were actually farmers in the old system. Some were accountants or economists, chemists or machinists. However, at least one agronomist sits on each board.

As each board began to organize, four different strategies emerged in response to the lack of working capital. Credit relationships with the multinationals were slow to become established because of the taxation situation. Still, all four cooperatives were able to open the doors to their stores during the first crop production year.

Belgorod Dnistrovski chose to ally itself with a large producer and agribusiness manager. Unable to secure a building or put enough working capital together to purchase inputs, the board turned to the producer. He gave the cooperative use of



Farm inputs and tractor parts line the shelves of the cooperative at Artoiski.

one of his buildings, then put his own barter goods there as inputs for cash sale, with a sales commission going to the cooperative.

The process is not without its growing pains. Ivanovski changed executive directors in midstream. Because the cooperative is small and located in a small town, selling farm inputs is hard. The business environment is further complicated by Ivanovski's relative closeness to Odessa and its many stores. Without a track record, the cooperative found it hard to attract any one supplier willing to provide credit and merchandise, even on commission. The new executive director has numerous contacts in the trading community and has used these relationships to help the store start to fill its shelves.

In Lubashovski, the board has put itself in the hands of a large agribusinessman who owns several retail stores. The cooperative chose to sell only tractor parts and not compete with his other stores, which sell the usual Ukrainian farm inputs.

In yet another strategy, Artsiski organized itself differently. Unwilling to hire an outside executive director, the board directed the chairman to fill that spot. The odd arrangement has produced very good results. Although the inventory is small by American standards, it is the largest among the four stores and the only one where the inventory is paid for. Even better, the value of the cooperative's inventory has been growing at 5-6 percent per month as it continues to use profits for inventory purchases.

Lessons learned

As the project evolved, and each of these cooperatives struggled to solve its own problems, it became apparent that access to inputs was not the solution to putting cash into the pockets of producers. Sourcing inputs from the old collective system has developed some sophistication during the last five years. In addition, cash for inputs has almost been non-existent.



Classical architecture abounds in the Black Sea port of Odessa.

Forming cooperatives with Western principles has been hard also. Attitudes and idealism left from the old collective system still pervade the business environment because farmers haven't seen with their own eyes how Western systems work. One very positive step in this project has been to send each of the chairmen to the United States to view the cooperative system in place here.

For example, agreement in the old collective system was often reached by consensus among the leadership rather than by democratic voting. While the current boards of the project cooperatives are small and trust each other because members worked together in the past, new membership growth will necessitate the need for ballot voting.

Another lesson learned is the need for members of a cooperative to be somewhat homogeneous with respect to size of operation, crops grown, economic levels and marketing needs. The boards of directors of those cooperatives that have a large agribusinessman as a member often experience disagreement in developing solutions to membership problems. In the United States, proportional voting is used in limited situations. However, Ukrainian cooperatives have yet to develop this type of voting or trust.

In the United States, the uniqueness of cooperatives as user-owned, user-controlled and user-benefited businesses is recognized in law through single taxation and a limited anti-trust exemption for

farmers acting through cooperatives. USDA also provides support for cooperatives through a multi-faceted program of research, technical assistance, education and help in organizing cooperatives into new cooperatives.

No such environment for cooperatives exists in Ukraine, but cooperatives are forming on their own merit to obtain services that are otherwise unobtainable. However, there is little, if any, working capital available in Ukraine to purchase the capital goods that can be used to provide such services.

The future

There is promise for Western-style cooperatives to exist in Ukraine. With support from this project, the National Farmers Union, the National Agricultural Cooperative Union and the Center of Reforms in Agriculture have recognized the need to provide incentives for cooperatives in Ukraine. Their efforts have resulted in the Ukrainian president signing a decree exempting almost all of agriculture from the value-added tax. This still has to be approved by the Rada (congress), and will be a first step in moving the country to a cash economy.

Given the history of the people and the country and the high value of its productive lands, the newly formed cooperatives also present opportunities for the Western world as conduits for continued resource conservation efforts. Already organized with highly visible stores in their town areas, these progressive farmers represent the leading edge of agricultural thinking and often act as examples for the rest of the farming population to follow.

Still, the greatest asset of the country is its own people. With a tireless work ethic, they have set about rebuilding their agricultural system. In doing so, they are feeding themselves and their neighbors. As they enjoy more successes, new opportunities for private farmers will surely come their way. ■

Randy G. Harmson

General manager,
Michigan Agricultural Cooperative Marketing Association, Inc.



“Farmers need a cooperative that will help them stand toe-to-toe with food manufacturers and processors to establish fair prices for their commodities.”

Co-op description: Michigan Agricultural Cooperative Marketing Association (MACMA) is the Michigan Farm Bureau’s marketing affiliate. This cooperative was organized in 1961 to provide marketing, bargaining and various group marketing and related services. MACMA counts more than 2,000 farmer-members, who voluntarily work together to improve the profitability of their operations. MACMA’s five divisions — for Michigan’s processing apples, red tart cherries, asparagus, plums and feeder pigs — provide industry information, establish and negotiate prices and bargain with processors.

Background: Harmson grew up in rural Michigan. A Vietnam veteran, he earned a bachelor’s degree in business administration from Central Michigan University and a master’s degree from Michigan State University. Harmson has worked in both private and public organizations, dealing with the promotion and marketing of food on a national and international basis. “I’ve been involved in cooperatives as a member and a manager,” Harmson says.

What developments are taking place at MACMA? “MACMA, like many cooperatives, is faced with rapid change from all directions,” says Harmson. “Membership, services, financial resources, and technology all present challenges in the context of today’s world market and the industrialization of agriculture.” In response, MACMA has helped:

- form CherrCo, Inc., a federated coop-



erative for tart cherry cooperatives interested in establishing tart cherry prices on a national basis;

- develop a plan for a new and innovative value-added Hog Networking Cooperative;
- expand marketing and bargaining for processing apples beyond Michigan;
- establish a “one-stop shop” for farm labor management information;
- support the proposed establishment of a regional/national Ag Employers Association (formed as a farmer-owned stock cooperative), and has actively worked for national marketing and bargaining legislation.

Goals for MACMA: “MACMA’s role today is as important as it was 30 years ago,” says Harmson. “Farmers, large and small, need to be profitable. They need a cooperative that will provide them with timely and accurate information, and help them stand toe-to-toe with food manufacturers and processors to establish fair prices for

their commodities.” He notes that farmers not only need to capture more value-added returns for their efforts but to have a more significant voice in the food industry. “The MACMA philosophy on a national level could significantly support food security,” Harmson adds.

Biggest MACMA concerns? “Where do I start?” asks Harmson. He points to the Food Quality Protection Act, other economic and environmental challenges and risk management. “But my biggest concern for our members, and U.S. farmers in general, is that we won’t be able to compete in the world market because of inadequate trade policies,” he says.

Key rural development issues? “The clash between new rural home owners and farmers,” Harmson says. “Also, subsequent township ordinances limiting what, when, where, and how farmers can farm.” ■



Jeffrey P. Shaw

Tri Valley Growers appoints new president and CEO

Tri Valley Growers (TVG), a leading U.S. food processor, has appointed Jeffrey P. Shaw as president and chief executive officer. Shaw comes to TVG from Green Bay, Wis.-based Dean Foods Vegetable Co., where he had served as president since 1992. There, he significantly raised shareholder value and changed the company into a team-based, results-driven, high-

performance culture. Shaw successfully acquired and combined five companies to expand Dean Foods Vegetable division to a \$650-million business.

"We are very excited that Jeff has joined us. He brings a wealth of experience to the president and CEO position," said Jaswant Bains, chairman of TVG, a 500-member California-based cooperative. Shaw joins TVG following seven months of interim management led by CEO R.D. Cook and president Timothy R. Barron. They had replaced president and CEO Joseph Famalette, who departed in August 1998.

Prior to joining Dean Foods, Shaw served as president of Richard A. Shaw, Inc., a Watsonville, Calif.-based food company. He holds a bachelor of science degree in accounting from San Jose State University and a master of business administration degree in taxation from California State University, Hayward.

Two California fruit co-ops form alliance

Mayflower-TCLA and Blue Anchor Inc., two California fruit cooperatives, have formed an alliance to strengthen market position, reduce costs and open new opportunities.

"It is certainly no secret that the continued consolidation by major retailers demands some form of consolidation by shippers," said alliance president John Dubendorf. "The Mayflower-Blue Anchor alliance is a natural, with a complementary product base that enhances the ability to service all customers, including major chains. We hope other shippers will be interested in the concept."

Mayflower Marketing Corporation (a subsidiary of Mayflower-TCLA) will be responsible for marketing the two firms' wide variety of fruit. Mayflower-TCLA was formed in 1966 with the merger of Mayflower Fruit Association, a pre-

mium shipper of plums, persimmons and table grapes, and Tulare County Lemon Association, a long-established citrus packing house. All citrus items will continue to be marketed by Sunkist. Blue Anchor Inc. is a 200-member marketing cooperative of grapes, pears, peaches, plums, nectarines, apricots, cherries, kiwifruit, various specialty fruits, and Chilean fruit.

Sunkist revenues top \$1 billion

Sunkist Growers sold 90 million cartons of fresh citrus, the largest volume in its 105-year history, during 1998, president emeritus Russell Hanlin told some 1,000 members gathered for the cooperative's annual meeting Feb. 5 in Visalia, Calif.

For the seventh consecutive year, total revenues for Sunkist, the oldest and largest citrus marketing cooperative in the world, exceeded \$1 billion, Hanlin said. The \$1.069 billion revenue figure was just \$27 million under the all-time record set in 1995.

"Most importantly," said Hanlin, "returns to our 6,500 grower-members reached \$861 million, the second highest total in Sunkist's history and just under the all-time record of 1997."

It was also a good year for Sunkist's processing operation, which handled more than 700,000 tons of citrus. Memorable for more than its financial results, 1998 was also the year the cooperative said farewell to Hanlin, its president and CEO for the past 20 years. His replacement is Vince Lupinacci, who discussed these challenges and the evolution taking place in the citrus industry:

- The increasing consumer demands for convenience and value and the continuing consolidation of the retail trade, both of which create a new set of marketing conditions for those who supply them;
- The focus on free trade and opening of domestic markets to global competitors and the expanding production of foreign citrus;
- The availability of quality labor.

Lupinacci also updated the audience on the Christmas freeze and its effect. He noted that while estimates of crop damages were still a moving target, they indicated there was still a substantial amount of fruit to sell this season.

NCFC chairman highlights association's achievements

National Council of Farmer Cooperatives' (NCFC) outgoing chairman Ron Schuler emphasized the trade association's achievements throughout the past year, despite concerns over the agricultural economy, at NCFC's 70th annual meeting in San Antonio, Texas, in January.

"NCFC's efforts this year have contributed billions of dollars in benefits that go directly to the bottom line of farmer cooperatives, including helping bring forth a significant farm assistance package that is beneficial to many cooperatives and their farmer members as we position ourselves for the new millennium," said Schuler, president and CEO of California Canning Peach Association.

Other NCFC accomplishments Schuler highlighted were:

- Approval of legislation that eliminates regulations excluding farmer cooperatives from participation in USDA's commodity purchase programs.
- Protection of cooperative director voting rights.
- IRS approval of expanded use of limited-liability companies by cooperatives.
- New legislation and a Supreme Court victory allowing tax-free transactions for purchase of agricultural processing and refining facilities.
- Stopping the possible cancellation of multiple pesticide products.

"It has been my privilege to work with a trade association that can be described as both flexible and responsive," Schuler noted. He acknowledged NCFC's ability to adapt to the rapid pace of change in the agricultural industry throughout his term, which has enabled it to stay ahead of the competition and provide unique benefits for its members. New NCFC chairman is Noel Estensen, president and CEO and Cenex Harvest States.

Farmland, Cenex Harvest States win communications honors

Farmland Industries Inc. received the Best In Cooperative Communications (BCC) Award, and Cenex Harvest States had the highest cumulative point winnings to take top honors in the National Council of Farmer Cooperatives' (NCFC) 1998 Cooperative Information Fair.

Farmland Industries, Kansas City, Mo., was awarded the BCC Award for a Product/Service Marketing video titled "Farmland Food Marketing and Overview." The award is presented annually to the entry the judges consider best overall in the 45 classes of the annual communications competition.

With 98 points, Cenex Harvest States had the highest cumulative point winnings in the Fair competition. Blue Diamond Growers, Sacramento, Calif., was runner-up, with 84 points. They were followed by: Farmland Industries, with 77 points; Diamond Walnut Growers Inc., Stockton, Calif., with 70 points; and Southern States Cooperative, Richmond, Va., 63 points. Twenty-nine agricultural cooperative organizations participated in the 1998 Information Fair competition.

The Cooperative Information Fair has been conducted annually since 1946 to evaluate communications materials

produced by NCFC member cooperatives and their affiliates. It includes publications, writing, photography, advertising, promotional and educational materials, audio-visual presentations, public relations, and communications programs.

California dairy co-ops explore merger

Three California dairy cooperatives representing 44 percent of the state's milk production are exploring the possibility of a merger. The cooperatives involved are San Joaquin Valley Dairymen, Danish Creamery Association and California Milk Producers. The three co-ops have a combined membership of 700 dairy farmers. The merger is being seen as a way to expand product lines, increase efficiency and open up new export markets. It would create one of the largest milk-producing associations in the nation. Co-op members are expected to vote on the merger proposal this summer.

Prairie Farms Dairy reports record earnings for 1998

Prairie Farms Dairy Inc., Carlinville, Ill., reported all-time-high earnings of slightly more than \$50 million for the fiscal year ending September 30, 1998. The record yearly earnings reflected an increase of 13.5 percent over the previous year, according to Leonard J. Southwell, the co-op's executive vice president and chief executive officer. Dollar sales of \$933 million also hit an all-time high, and reached \$50 million above the previous year.

Tree Top finalizes Seneca acquisition

Tree Top has finalized the acquisition of Seneca Foods Corporation's processing facility in Prosser, Wash. The plant began operation as a Tree Top facility Feb. 1. The acquisition also gave Tree Top an exclusive license to the Seneca brand for all apple sauce products and Seneca's non-branded specialty fruit concentrates business. The purchase comes at a time when the volume of processing apples in the Pacific Northwest is at a near-record high. Seneca had been processing apples for Tree Top during much of the acquisition negotiations. The plant's processing capacity will assist Tree Top in accommodating the continued large volume of processing fruit projected for the future.

The exclusive license of the Seneca label for all apple sauce products gives Tree Top the No. 1 and No. 2 selling sauce brand in the Northwest and solid sauce distribution in its major markets. For the time being, Tree Top will produce apple sauce under both the Tree Top and the Seneca labels. The specialty fruit concentrates produced in the Prosser facility will provide additional revenue for Tree Top, enhancing the cooperative's non-member business earnings. Earnings from non-member business provide necessary working capital for the cooperative, allowing member earnings to be distributed in full in the year they are recorded.

The Prosser location in the southeastern corner of Washington State provides Tree Top with a facility geographically closer to its Oregon and Idaho grower-members.

In other Tree Top news, the cooperative has signed a letter of intent to purchase Watermill Foods, Inc., Milton-Freewater, Ore. Founded in 1975, Watermill is a quality manufacturer of frozen cherries, apples and plums and one of the largest employers in the Milton-Freewater area. "Tree Top views Watermill and its customer base as a potential outlet for additional peeler fruit," Tom Stokes, chief operating officer, said.

CoBank reports '98 net income of \$150 million

CoBank, a \$20-billion financial services institution specializing in U.S. agribusiness and rural America, reported net income of \$150 million for 1998. Earnings increased slightly from the 1997 total of \$147 million. Celebrating its 10-year anniversary in 1999, CoBank has seen its agribusiness base grow to \$9.1 billion at year-end 1998.

Agribusiness continues to account for the bank's largest customer segment. Business with rural utilities in the past decade tripled, increasing from \$1.6 billion in loans outstanding in 1989 to \$4.5 billion in 1998. CoBank also expanded its presence in international markets, financing \$2.3 billion in agricultural exports at year-end 1998, and a total of \$27 billion since the bank began its international program. CoBank is pursuing a merger opportunity with the St. Paul Bank for Cooperatives of St. Paul, Minn., to further increase its capacity to serve rural America.

International cooperative book available

The World of Cooperative Enterprise 1999, a collection of articles from international authors, features an in-depth look at issues and developments shaping the future of cooperatives. Major themes in this year's edition include the debate over converting co-ops to other business structures, contractual rights and obligations of membership and innovations in cooperation. The book can be ordered by contacting the Plunkett Foundation, 23 Hanborough Business Park, Long Hanborough, Oxford OX8 8LH, U.K. Telephone is (01993) 883636. Fax is (01993) 883576.

USDA streamlines DLT loan and grant program

Agriculture Secretary Dan Glickman has announced proposed changes for the 1999 Distance Learning and Telemedicine (DLT) Loan and Grant Program, making it more user friendly. Changes in the program will separate the application for the loan, loan/grant combinations and the grant-only portions of the DLT assistance. DLT is USDA's program that provides loans and grants to rural areas to use new technology for improving educational and medical services.

"The proposed changes improve the DLT loan and grant program by targeting three types of assistance, enabling the program to be more responsive to the needs of education and health care providers in rural areas," said Glickman. "The ability of rural communities to access these funds to improve the quality of education and health care is key to the development of rural America."

"The 1999 DLT program will make available \$150 million in loans and \$12.5 million in grants to rural education systems and health care providers," said Under Secretary Jill Long Thompson of USDA Rural Development, the agency which administers the program. "The Distance Learning and Telemedicine Program, a major administration initiative, has helped rural America be a part of the Information Revolution."

The changes will remove some of the previously required steps in the application process for loans and will expand the uses of loan funds. Applications for grants will go through the competitive process and poverty levels will be used for scoring purposes, instead of grant eligibility. Applications for loans may be accepted now through USDA Rural Development state offices or through the USDA Rural Utilities Service national office in Washington, D.C.

The DLT program complements the discount rate program, called the E-rate, that was developed in the Telecommunications Act of 1996 to ensure rural schools, libraries and health care providers would be able to connect to the Internet at a reasonable cost.

Since the DLT program was started in 1993, it has funded 252 projects in 43 states and two U.S. territories, for a total of \$68 million. The funding has helped more than 1,000 schools and learning centers provide increased educational opportunities to rural students and residents. It has improved health care at more than 725 hospitals and rural health care clinics.

The proposed changes are published in the March 25 *Federal Register*. Detailed information on the DLT program can be obtained from visiting the Rural Utilities Service website at www.usda.gov/rus/dlt/dlml.htm.

Agway expands into retail store

Agway Inc. of Syracuse, N.Y., has expanded its traditional farm supply retailing business into a new type of store format called Cultivations. Agway introduced its new retail format in November 1998 in Lansdale, Pa., about 25 miles northwest of Philadelphia. The store, featuring an outdoor garden for seasonal displays, covers 8,000 square feet with a 4,000-square-foot greenhouse.

Designed to appeal to middle- to upper-income women aged 30-50, Cultivations blends the look of an interior design studio, housewares retailer, coffeehouse and flower

shop. In addition to offering farm store staples such as plants and garden implements, the store sells its own line of bath and body oils, candles and clothing.

Over the next 10 years, Agway will launch 10 more Cultivations in the Philadelphia market. The co-op hopes to have about 50 of these stores across the nation within five years. Each store is expected to generate annual sales of between \$2.5 million and \$3.5 million and employ about 15.



H.D. "Harry" Cleberg

Bob Honse

Honse Picked for Farmland leadership positions

Bob Honse, a 25-year employee of Farmland Industries, has been named executive vice president and chief operating officer of Farmland. In his new position, Honse will oversee all Farmland operations, including the ag inputs, meat and livestock, and grain divisions. He will report directly to H.D. "Harry" Cleberg, president and CEO for Kansas City-based Farmland. Honse has extensive experience in agribusiness management. He joined Farmland as project manager at Farmland's fertilizer manufacturing plant in Lawrence, Kan., and was later promoted to plant manager. He subsequently is served as general manager for phosphate manufacturing at Bartow, Fla.; vice president and general manager for fertilizer and ag chemicals; and executive vice president, agricultural operations. Before being named to the new position, Honse was executive vice president, ag input businesses, which encompasses the company's crop production and petroleum businesses. He received his bachelor's degree in chemical engineering from the University of Virginia.

Farmland enters alliances with MFA, Cenex Harvest States

Farmland Industries and MFA Inc. have finalized an agreement to form a feed manufacturing and marketing alliance. It combines the Farmland and MFA sales staffs and milling capacities in Missouri, which will increase the efficiency and effectiveness of both cooperatives' feed businesses. Farmland will procure feed ingredients for the alliance, while MFA will manage feed marketing personnel. Each cooperative will manage its respective feed mills. MFA brings 14 feed mills to the alliance while Farmland brings one mill located in Centralia, Mo., which will eventually be converted to a swine-dedicated facility.

Farmland's America's Best Pork and Farmland Supreme Beef Alliance will be marketed alongside MFA's livestock marketing programs through MFA retail stores and both companies' feed sales staffs. MFA's feed sales staff and livestock production specialists will work together with the Farmland feed sales staff. Each cooperative will maintain its respective relationships with current customers, and the alliance sales force will represent products and programs instead of locations or companies. Both cooperatives' logos will appear on alliance feed bags.

Cenex, Farmland exploring grain venture

In a separate action, Farmland Industries and Cenex Harvest States have announced plans to explore combining certain aspects of their grain operations. Farmland and St. Paul-based Cenex Harvest States already have many common owners and customers across multiple lines of business and are involved in several joint ventures together. After considering business direction and strategic fit, the boards of both cooperatives have directed that these discussions proceed on an aggressive schedule. ■

Leadership... *continued from page 31*

And I believe it is a role of leadership to recognize that we shouldn't just pick conformists in top roles of the organization, thereby avoiding anyone who will come up with new ideas, who will disagree on some major premises.

Healthy dissent is good for an organization.

I've learned more from my critics than those who didn't rock the boat. How often have I been urged to use my influence to silence member company managers who were critical, sometimes unreasonably so.

But I have always refused to do so. First, because when the chips are down, they are always with us. Second, if you silence or brush aside unreasonable criticism, you also silence criticism you should hear.

Criticism is never sweet. It is hard to take. But it is the price we pay for leadership.

Getting Involved: What Makes Co-op Members Join In?

USDA study of North Central dairy farmers indicates several characteristics, from board satisfaction to farm size, contribute to participation

Thomas W. Gray and
Charles A. Kraenzle

USDA Rural Development

Editor's note: Gray is a rural sociologist in the education and member relations program area of USDA's Rural Business-Cooperative Service (RBS). Kraenzle is director of the statistics staff of USDA/RBS.

What influences a farmer to participate in his or her cooperative? Are there certain characteristics that can be identified that explain farmers' participation? These were objectives of a USDA study of 1,156 dairy-farmer members in the North Central states. All were members of the same cooperative.

Members may participate in cooperatives in a variety of ways. Some limit their participation to economic patronage while others: 1) attend meetings; 2) serve on committees, 3) serve as elected officers, and/or 4) recruit other members. For this study, these latter four methods of participation were identified for measurement with member characteristics.

Member characteristics included beliefs concerning cooperative principles, collective action and individual member identities associated with cooperative membership. They also included life satisfaction with farming, member satisfaction with the cooperative operations and representation, member influence on cooperative decision making and equitable treatment among members. Demographic characteristics of members and measures of farm size and farm type were also included.

Attendance at meetings was found to be positively related to eight member characteristics. In other words, the greater the measured value of these characteristics, and the more intense the belief, the more likely a member's atten-

dance at cooperative meetings. These characteristics included: 1) percent of gross farm sales from the sale of milk; 2) gross farm sales; 3) size of milking herd; 4) belief in cooperative ownership; 5) belief that co-ops should practice one person, one vote; 6) belief that co-ops should support education for their members and the public; 7) satisfaction with farming as a way of life; and 8) satisfaction with their district director.

Three characteristics — 1) spouse employment off-farm; 2) belief that members have too much say about how the cooperative is run; and 3) belief that the cooperative primarily benefits small farms — were found to have a negative impact on attendance at board meetings. The greater the measured value or frequency of these characteristics and/or the more intense the belief, the less likely a member was to attend cooperative meetings.

Serving on committees positively related to five characteristics. These include: 1) gross farm sales; 2) hired more than half of the farm labor; 3) belief that co-ops should work with other co-ops; 4) belief that members receive benefits from doing business the cooperative way; and 5) satisfaction with their cooperative board of directors. These members tended to operate larger farms, were stronger in some of their cooperative beliefs and were more satisfied with their board than members not serving on committees.

Service in elected office was positively related to: 1) gross farm sales; 2) size of milking herd; 3) belief that co-ops should practice one person, one vote; 4) belief that co-ops should work with other co-ops; 5) belief in co-op ownership; and 6) satisfaction with their co-op board of directors. Again, the greater the measured value of these characteristics, and the more intense the belief, the more likely a member was to serve in an elected office.

The belief that an individual farmer can usually make better marketing decisions than a group of farmers or agency

was negatively related to service in an elected office. These members were less likely to serve as elected co-op officers.

Recruitment of other farmers into the co-op was positively related to size of milking herd and to the belief that belonging to the co-op is an important part of their identity as a farmer. Consequently, members with larger cow herds and/or a strong belief in belonging to the cooperative were more likely to recruit others to join the cooperative. Members who more intensely believed that the cooperative primarily benefits large farms were less likely to recruit others.

A size bias was found in the study. Members from larger farms were more involved in the co-op. Members from smaller farms were less satisfied and had less time available to participate.

The study also revealed the importance that participation plays in validating or developing farmer understanding and appreciation of cooperative organization. Cooperatives may seek to improve the responsiveness of their organizations by being sensitive to and making accommodations for greater involvement of members from smaller farms.

Given greater involvement, the co-op and its members may begin to identify ways of improving the satisfaction of these farmers and strengthening the cooperative itself. Study results suggest emphasizing cooperative principles, the benefits of cooperation, and the importance of participation as a possible place to start.

Study results also demonstrate the relevance and continuing importance of cooperative principles, beliefs in collective action and member identification with cooperative organization and action.

Findings of the study are published in the report, *Member Participation in Agricultural Cooperatives: A Regression and Scale Analysis*, RBS Research Report 165. It can be purchased from USDA, Rural Business-Cooperative Service. ■

What Is Leadership?

A leader must be an original, not a carbon copy

C.H. Becker

Editor's note: From 1941-68, Becker served as general manager of FS Services Inc., a regional farm cooperative based in Bloomington, Ill. He retired in 1969 as senior vice president of FS Services. The co-op consolidated with Illinois Grain Corporation in 1980 to become GROWMARK. The article below is condensed from one Becker wrote for the May 1969 issue of *Farmer Cooperatives*, now *Rural Cooperatives*. Today, 92-year-old Becker lives in Phoenix, Ariz.

Several years ago, a staff member — long since gone from FS Services — made a recommendation that I adopted as head of this regional cooperative. Six months later I asked why it wasn't working. He said, "I never was in favor of it."

I said, "But you recommended it." He then said, "I thought that was what you wanted me to recommend." Now, he was a highly skilled person and very intelligent. But he did not belong in a leadership position, and he was removed from it.

It is one thing to wait until you have heard discussions and sorted out the facts. It is quite another to wait and see which way the wind is blowing. A leader must be an original. He can't be a carbon copy.

Certainly, I have no instant wisdom to impart on leadership. But I do have some ideas, some reflections after many years in the manager's chair of FS Services and as a board member at various times in some 15 organizations.

How I see leadership. Basically, I see leadership as the capacity to influence people, to take an idea of one's own or someone else's and get it accepted, to have enough judgement to know what can or cannot be sold, and to have the flexibility necessary to get it sold without sacrificing principle. It involves the ability to compromise in order to move ahead.

Leadership cannot be conferred. Often, people do not understand this. They think that appointment to a job or election to a board or office endows them with leadership. It doesn't. It merely offers the opportunity for leadership.

Some people discover that they don't want to be leaders. They are not willing to suffer the loss of face that goes with the leadership. So they follow and pretend they are leading.

Right interplay between boards and managers is vital. Cooperatives must have leadership from both board and manager, but in the right perspective for each.

I would be naive to suggest that all board members are equal in leadership capacity, or that by doing or not doing certain things they can become equal. But if the board will recognize leader-



C.H. Becker

ship and give it rein, it can discharge its leadership function effectively.

And I have never seen a board that would not respond to leadership. Many times I have heard boards criticized as "impossible." People would say the board was interfering with management, it was trying to manage, it was always going off on tangents, it was totally negative.

Most often the reason for these sentiments traced directly to the manager or whatever the top officer was called. He was not giving the

leadership he should have. Today, as a board member, I can get impatient when a manager doesn't provide leadership — when he says, "This is the problem, what do you think we should do?" — or when he just says, "This is the problem," implying that the board should do something.

Rather, the manager should say, "This is the problem as I see it — this is what I recommend we do." Or perhaps he should say, "This is the problem as I see it. I want the benefit of your views before I formulate a recommendation next month, or I'd like a committee to work with me on this."

As a board member, I want recommendations and I want them in writing. But I don't want to be called upon to make a decision on the spur of the moment. I want time to reflect. That is why, as a manager, I always tried to introduce and discuss any significant recommendations a month or more before asking the board for a decision on my recommendation.

I've seen literally hundreds of managers fail because they didn't understand their proper leadership role. For every manager who usurps board functions, there are three or four who ask the board to make management decisions — and boards ultimately tire of both kinds.

Of course, the board is finally responsible and it must decide the framework of policies within which management must function. But any board on which I've served has viewed its executive as its leader in discharging the board's responsibility. And if we felt he was not functioning properly as a leader, we changed executives — no matter how brilliant or how popular he was.

But perhaps the board's greatest leadership role is selecting a manager and creating a climate in which people carry out effectively the organization's policies and objectives — because they want to, not because they are told to.

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