



For Reporting Purposes Only – Not for Distribution

Final Report
Submitted to the Tennessee Department of Agriculture
and
Kentucky Center for Cooperative Development

Cooperative Development Emphasis

Funding Period October 2003 to December 2004

Submitted by:
Rob Holland
Principal Investigator

Center for Profitable Agriculture
University of Tennessee Extension
Middle Tennessee Experiment Station
931-486-2777
<http://cpa.utk.edu>

December 2004

Report Contents

Summary	1
Project Objectives and Strategies.....	2
News Releases	4
Educational Materials Developed.....	11
A Follow-up to the Cooperative Study Tour	12
Quarterly Progress Reports	16
Other	21
A “Checklist” Summary	24
Appendix.....	25

Summary

From October 2003 to December 2004, the *Center for Profitable Agriculture* provided leadership for the Cooperative Development Initiative. The Cooperative Development program was designed to conduct educational programs to improve the understanding of cooperative forms of business organization, conduct training sessions for agricultural leaders and educators, conduct strategy sessions with producer groups considering a coop organization structure, develop and disseminate printed and web-based cooperative development educational information and provide analytical work regarding the state's new processing cooperative law.

Results of the project exceeded benchmark objectives with a total of 6 outreach and training sessions provided to an audience of 219. Additionally, a total of six strategy sessions were conducted with five different producer groups consisting of 68 farmers. Two new Extension publications were developed, four departmental fact sheets were released, 6 news releases were developed and a video titled "Agriculture's Future: The Tennessee Processing Cooperative Law" was developed. Also, 20 farmers and agriculture leaders received training and seen processing cooperatives first-hand through a three-day tour of processing-type cooperatives in Missouri and Kentucky. Printed educational resources have been distributed to more than 200 contacts. Future impacts are expected because printed educational resources specific to the Tennessee processing cooperative law are now available for use by farmers and investors considering value-added processing cooperatives and a 15-minute video featuring information about the new processing cooperative law is available for use with groups or individuals.

Project Objectives and Strategies

During the summer of 2003, a project proposal was developed to add a “cooperative development” plank to the *Center for Profitable Agriculture’s* program initiatives. The proposal included funding requests from the Kentucky Center for Cooperative Development and the Tennessee Department of Agriculture. The project was proposed to be implemented from October 2003 to December 2004. The following objectives and strategies were outlined in the project proposal.

Objectives:

1. Create a new program emphasis in the area of “Cooperative Development.”
2. The program emphasis will be developed and administered in the Center for Profitable Agriculture.
3. The new program emphasis will build on the Center’s five-year success in providing direct technical assistance (feasibility, marketing and production) to farmers, entrepreneurs and groups in rural areas.
4. The new program emphasis will improve the understanding and application of cooperative development strategies.
5. The new program emphasis will increase the consideration of cooperative efforts by farmers, entrepreneurs and groups in rural areas.
6. The new program emphasis will improve the success of cooperative efforts by farmers, entrepreneurs and groups in rural areas.
7. The new program will provide analytical support for the state’s pending “processing cooperative law” and will coordinate efforts to extend the results.

Strategies:

1. Provide funding for an Extension Specialist to serve as the “cooperative development program leader” (or could be called a cooperative development program director) in the Center for Profitable Agriculture. The “cooperative development program leader” will participate in adequate training by the KCCD. The “cooperative development program leader” will serve as the:
 - program liaison between the KCCD and CPA
 - primary director for coordinating the program’s strategies
 - primary director for planning the program’s strategies
 - primary director for implementing the program’s strategies

2. Under the teaching and facilitation by KCCD, two mini-conferences devoted to improving the understanding of cooperative forms of business organization, new generation coops and coop success stories will be conducted.
3. Under the teaching and facilitation by KCCD, one training session for agricultural leaders and educators will be conducted.
4. Under the teaching and facilitation by KCCD, strategy sessions for two well-organized producer groups considering a coop organization structure (or a recently organized coop) will be conducted.
5. Space on the CPA Website will be allocated for the development of a “Cooperative Development” site (the site will mirror and link to the KCCD site as a resource for information, announcements and resource materials regarding Cooperative Development).
6. Conduct analytical work relative to the states pending “processing cooperative law” (work intended to provide clarification on the law’s impact, pros and cons and comparisons to other business formation options) and coordinate dissemination of such analysis (via published reports, presentations, conferences and mass media).

News Releases

Six news releases were developed as part of the project's public awareness plan during the early months of implementation. The titles of these articles and their release dates are listed below and a copy of each article appears on the following 6 pages.

- Extension Personnel Complete Training in "Cooperative Winter School" — March 8, 2004
- Center Selects Two Farmer Groups as Cooperative Development Pilot Projects — February 4, 2004
- Center Seeks to Identify Farmer Groups for Pilot Cooperative Development Project — December 7, 2003
- Holland Named Leader of New Program Emphasis — December 1, 2003
- Kentucky Specialists Lead Cooperative Development Presentation at Recent Tennessee Training — November 24, 2003
- Grant Helps Center Launch New Program — November 20, 2003

News Release — 03/08/04

EXTENSION PERSONNEL COMPLETE TRAINING IN "COOPERATIVE WINTER SCHOOL"

Three UT Extension professionals recently completed a two-day training program in the Kentucky Cooperative Winter School program: John Goddard, County Extension Director in Loudon County; Chris Ramsey, County Extension Agent in Sullivan County; and Rob Holland, Extension Specialist with the Center for Profitable Agriculture. The training, which was held at the Barren River State Park in south-central Kentucky, was sponsored by the Kentucky Center for Cooperative Development.

The three Tennessee Extension educators were among a total delegation of 65 cooperative managers, board members, farmers and other agricultural leaders who participated in various training exercises aimed at improving the development of cooperatives. The conference included presentations by professors in agricultural economics and consultants for farmer cooperatives. Conference attendees participated in various interactive and hands-on learning projects aimed at improving board and manager relations, cooperative principles and cooperative strategic planning and management.

The UT Extension personnel participated in the conference as part of a pilot educational project between the Center for Profitable Agriculture (CPA) and the Kentucky Center for Cooperative Development (KCCD). The multi-state pilot program was recently launched between the two organizations. As part of the new program, the CPA has identified and select two farmer groups that are poised for mutual benefits through some type of cooperative effort. Overall, the pilot project will build on the CPA's five-year success in providing direct technical assistance (feasibility, marketing and production) to farmers, entrepreneurs and groups in rural areas to create a new program emphasis in the area of "Cooperative Development." The program will improve the understanding and application of cooperative development strategies in the state and will increase the consideration of cooperative efforts by farmers, entrepreneurs and groups in rural areas.

News Release — 02/04/04

CENTER SELECTS TWO FARMER GROUPS AS COOPERATIVE DEVELOPMENT PILOT PROJECTS

Rob Holland, program coordinator for the Center for Profitable Agriculture's new cooperative development emphasis, has announced that the Center will be working closely with two farmer groups as pilot projects in the coming months. A group of beef cattle producers from East Tennessee and a group of row-crop and tobacco farmers from Middle Tennessee will serve as the Center's pilot projects.

"We are excited about getting to know the members of these groups and meeting with them as they identify win-win opportunities that exist from cooperating with each other" Holland said. "We're not exactly sure how the next six to eight months will unfold but we expect to work with these groups as they consider, plan, evaluate and develop formal business structures and identify priorities and guiding objectives." The two farmer groups were selected from a pool of nominations received during recent weeks.

Specialists from the Center will work closely with the two pilot project groups in the consideration, planning, evaluation and development of cooperative efforts where all the members can benefit by working together.

The Center's leadership with the pilot projects is part of their one-year partnership program with the Kentucky Center for Cooperative Development (KCCD). Overall, the project will build on the CPA's five-year success in providing direct technical assistance (feasibility, marketing and production) to farmers, entrepreneurs and groups in rural areas to create a new program emphasis in the area of "Cooperative Development." The program is aimed at improving the understanding and application of cooperative development strategies in the state and increasing the consideration of cooperative efforts by farmers, entrepreneurs and groups in rural areas.

News Release — 12/07/03

CENTER SEEKS TO IDENTIFY FARMER GROUPS FOR PILOT COOPERATIVE DEVELOPMENT PROJECT

Rob Holland, program coordinator for the Center for Profitable Agriculture's new cooperative development emphasis, has announced that the Center is seeking applications/nominations of farmer groups that are interested in working with the Center as pilot-projects.

The Center is trying to identify farmer groups that are interested in considering a formal cooperative venture. The Center will then work closely with these groups in the consideration, planning, evaluation and development of formal cooperative efforts. This development process may or may not involve legal organization as a cooperative – partnerships, LLCs, corporations, non-profits, alliances and associations may be the preferred resulting organization.

“We want to work closely with at least two different groups of farmers who are considering some type of project or organization where all the members can benefit by working together,” says Holland. “There are several hurdles that groups need to overcome and we want to work through the developmental stages of these organizations with them.”

In order to identify groups that already have common interests and possibly already have some organization in place, the Center has developed a Nomination/Application process. Nomination/Application Forms may be obtained by contacting Rob Holland at 931-486-2777 or at rwholland@utk.edu.

This form should be used as a nomination/application form for a farmer group to be considered as one of the pilot projects. The selected farmer groups will be contacted and a specific schedule will be developed for one-on-one assistance with each group during the coming months. Completed forms should be submitted to the Center by January 21, 2004.

HOLLAND NAMED LEADER OF NEW PROGRAM EMPHASIS

Rob Holland was recently named as the program coordinator for the Center for Profitable Agriculture's (CPA) new cooperative development emphasis. With approximately \$44,000 from state and federal grants the Director of the CPA, Dan Wheeler, announced the creation of the new program emphasis in November.

"Rob has been involved in this effort from the beginning – , he worked closely in drafting the proposals which garnered funding for the project and he's a natural fit for the programs objectives and can get it off the ground," Wheeler said.

As program leader for the project, Holland will participate in a variety of training by the KCCD, will serve as the program liaison between the KCCD and CPA and will be the primary director for coordinating, planning and implementing the program's strategies. "In our evaluation and planning of value-added enterprises over the years, we have seen many opportunities for lower risk and greater returns through cooperative efforts. Now we will be better able to address these opportunities," Holland said.

Holland will coordinate teaching for two mini-conferences in Tennessee devoted to improving the understanding of cooperative forms of business organization, new generation coops and coop success stories will be conducted. Holland will also coordinate and facilitate strategy sessions for pilot projects with well-organized farmer groups that are considering a cooperative organization. In addition, a variety of web-bases resources will be posted to the CPA's web site and a variety of comparative analysis of business organizations.

Overall, the project will build on the CPA's five-year success in providing direct technical assistance (feasibility, marketing and production) to farmers, entrepreneurs and groups in rural areas to create a new program emphasis in the area of "Cooperative Development." The program will improve the understanding and application of cooperative development strategies in the state and will increase the consideration of cooperative efforts by farmers, entrepreneurs and groups in rural areas.

Holland has been and Extension Specialists with the Center for Profitable Agriculture since 1998. The Center is a partnership program between The University of Tennessee Agricultural Extension Service and the Tennessee Farm Bureau Federation.. The Center is headquartered at the Middle Tennessee Experiment Station in Spring Hill, Tennessee.

News Release — 11/24/03

**KENTUCKY SPECIALISTS LEAD COOPERATIVE DEVELOPMENT
PRESENTATION AT RECENT TENNESSEE TRAINING**

The first official program of the Center for Profitable Agriculture's (CPA) new Cooperative Development Emphasis included instruction by two cooperative development Specialists from Kentucky at an in-service training for County Extension Agents in Tennessee.

Heath Hoagland and Laura Powers, specialists in the Kentucky Center for Cooperative Development (KCCD), teamed up for instruction to a group of 32 Extension agents and agricultural leaders on November 13 in Jackson, Tennessee as part of a full day of "update training" by UT's CPA.

Dan Wheeler, Director of the CPA recently announced the creation of this new program emphasis in "cooperative development" at the Center. The new program emphasis combines more than \$40,000 in grant resources from the USDA and the Tennessee Department of Agriculture's Ag Development Fund.

While the program will be coordinated in Tennessee by the CPA it will be lead through a unique collaboration with the KCCD. "Through KCCD's leadership and direction, we have entered into a fifteen-month pilot project," Wheeler said.

At the recent training program, the KCCD specialists related many experiences of working with farmers in the consideration, evaluation and development of coops, alliances and cooperative ventures. The Kentucky specialists used vegetable cooperatives, an aquaculture coop and a nursery coop as case-study examples during the training. Among other things, those agents participating in the training learned the importance of a strong balance between board and management leadership in a cooperative.

In addition to providing needed initial training to agricultural leaders, the November training also created the first opportunity for specialists from the CPA and KCCD to begin their work together in a fifteen-month pilot program in Tennessee.

News Release — 11/20/03

GRANTS HELP CENTER LAUNCH NEW PROGRAM

Dan Wheeler, Director of the Center for Profitable Agriculture, recently announced the creation of a new program emphasis in "cooperative development" at the Center. The new program emphasis combines more than \$40,000 in grant resources from the USDA and the Tennessee Department of Agriculture's Ag Development Fund.

While the program will be coordinated in Tennessee by the Center for Profitable Agriculture it will be lead through a unique collaboration with the Kentucky Center for Cooperative Development (KCCD). "Through KCCD's leadership and direction, we have entered into a fifteen-month pilot project," Wheeler said.

The program was recently launched in the state when two cooperative development Specialists with the KCCD were in Tennessee to conduct a special segment of in-service training for County Extension Agents in West Tennessee. "Our next step will be to identify a coordinator to provide the needed planning and development of the program," Wheeler added.

As part of the new program, the CPA will identify and select two farmer groups that are poised for mutual benefits through some type of cooperative effort. These groups will participate in organized strategy sessions to assist in the development of a cooperative effort. In addition, two mini-conferences devoted to improving the understanding of cooperative forms of business organization will be conducted and a web site will be devolved as a central location for Tennessee's cooperative development resources.

Wheeler and Larry Snell, Director of KCCD, recently met in Nashville to formalize the agreement between the two state programs. "Our efforts in the Center for Profitable Agriculture have been largely aimed at evaluating value-added ag. enterprises while the primary efforts of the KCCD have been in developing farmer cooperatives." "This project will allow us to learn from their experiences so we can better address cooperative ventures in Tennessee." "We look forward to collaborating with the CPA and working with cooperating farmers in Tennessee," Snell added.

"At the end of the pilot program, we will have identified a coordinator for cooperative education and outreach, conducted three training programs, worked one-on-one with two producer groups, developed web-based resources and developed educational materials relative to cooperative business organization," Wheeler said.

Overall, the project will build on the CPA's five-year success in providing direct technical assistance (feasibility, marketing and production) to farmers, entrepreneurs and groups in rural areas to create a new program emphasis in the area of "Cooperative Development." The program will improve the understanding and application of cooperative development strategies in the state and will increase the consideration of cooperative efforts by farmers, entrepreneurs and groups in rural areas.

Educational Materials Developed

Eight educational materials were developed for the cooperative development program. The title and release date of the materials is listed below and a sample of each is available in the Appendix.

- PB 1748 – Commentary and Overview for the Tennessee Processing Cooperative Law – Released December 2004
- PB 1750 – Considerations for Membership/Investment in a Processing Cooperative – Released December 2004
- Video – Agriculture’s Future – The Tennessee Processing Cooperative Law – Released November 2004
- The Tennessee Processing Cooperative Act (A TN Farm Bureau Video) – Released August 2004
- Introduction and Overview for the Tennessee Processing Cooperative Law (CPA Info#97) – Released August 2004
- Thoughts for Farmers Considering Membership/Investments in a Processing Cooperative (CPA Info#96) – Released August 2004
- Tennessee Processing Cooperative Law (CPA Info#95)
- Thoughts on Requesting Federal Tax Exemption as a 501(c)(3) or 501(c)(5) Non-Profit Organization (CPA Info#88) – Released April 2004

A Follow-Up . . . to the Cooperative Study Tour

Allow me to express appreciation to the Tennessee Farm Bureau Federation and the Tennessee Department of Agriculture for their sponsorship and leadership with the Cooperative Study Tour on August 17 - 19. It was a whirlwind of a trip with four vehicles transporting 19 agriculture leaders from Tennessee on a three-day, 1,265 mile round trip.

The journey consisted of on-site tours to *Gateway Beef* in Granite City, Illinois, *Northeast Missouri Grain* in Macon, Missouri, *Heartland Beef* in Montgomery City, Missouri and the *Purchase Area Aquaculture Cooperative* near Mayfield, Kentucky. We also heard from Mark Price of *A Taste of the Kingdom*, a value-added hot pepper processing business, Deanne Hackman and Tony Stafford of the Missouri Department of Agriculture, Dale Ludwig of the Missouri Soybean Association, Jerry Budlitz of *Alma Meats* and Scott Shively and Phil Saunders with *Premium Ag Products*.

I think everyone would agree that the trip was very educational, informative and helpful. Some of the things we heard and saw were very unique to one particular enterprise. However, several folks noted throughout the trip that we began to hear some of the same things more than once. A few of the common themes and suggestions that continued to surface include:

- Planning and developing these businesses take a significant amount of time.
- You must have access to much more capital than you ever think you'll need.
- State and federal financial resources were helpful in the planning and development of these cooperatives.

The rest of this report is devoted to various quotes, observations and suggestions that were noted during the tour.

Rob Holland

Center for Profitable Agriculture

-- NOTED QUOTES, OBSERVATIONS AND SUGGESTIONS FROM THE TOUR --

- | | |
|---|---|
| ✓ You should have a market identified and locked-in for at least 50% of your product before you ever start operating. | ✓ You absolutely must have someone that knows what they are doing. |
| ✓ In order to take advantage of the Missouri tax credits, the total start-up could not exceed \$1 million. | ✓ I think it is best for every project to have a private consultant do a feasibility study early in the planning phase. |
| ✓ You must have a niche! | ✓ We applied for a grant that required matching funds. We probably could not have done this without the state grants. |
| ✓ The "niches" for Gateway Beef were identified as: 1) Kosher, 2) hormone free, 3) 50% of all meat grades prime. | ✓ We got a USDA value-added producer grant too. |
| ✓ To make something like this work, someone has to work their tail off. | ✓ Timing is critical, location is key. |

- ✓ These types of enterprises take time to develop . . . I'm talking years, not months.
- ✓ We've actually met much more of a marketing challenge than our business plan projected.
- ✓ Nine out of ten ideas will not work. You have to invest in planning, a feasibility study and a marketing study . . . then you have to write a business plan.
- ✓ In Missouri, you cannot use part of the membership investment funds for operating expenses during the planning phase – Securities laws prohibit it.
- ✓ You may not be able to be in a business with the same guys that you like to go hunting or camping with.
- ✓ We keep very detailed records.
- ✓ You can't get over capitalized on the front end – it will take much more capital than you think.
- ✓ Make sure you have enough capital, you'll need it.
- ✓ It takes time and dedication – a lot of time.
- ✓ Our biggest problem now is that the tobacco settlement incentive money is running out.
- ✓ When our state legislature provided cost share money the interest from our farmers went up 600%.
- ✓ These things take a lot of hard work from a lot of people.
- ✓ There absolutely must be a “champion” – a “spark plug” – that is committed to making things happen, keeping people focused and keeping things moving.
- ✓ To be successful, projects need more than grant money. You certainly need money to get things going but grant money is not everything.
- ✓ One thing that is often overlooked is proper skills training for farmers that are in transition into a value-added enterprise. Groups need skills training too.
- ✓ We may have developed the product a bit ahead of our market development – we should have done a bit more market research first.
- ✓ If we had more input from the board of directors from the very beginning, we would be much better off today.
- ✓ Many folks with a significant amount of disposable income are discovering that beef is good again – these are our customers.
- ✓ This coop started five years before the first gallon of ethanol was produced.
- ✓ We are not talking about a \$10 million project – this is more than a \$50 million business.
- ✓ Most businesses that fail do so in the first three years – due in large part to cash flow problems.
- ✓ To our surprise, we turned profit in the first year – it was an unusual year with high fuel prices (our end product) and low corn prices (our inputs).
- ✓ Working together is absolutely critical.
- ✓ You must have a network of information providers working directly with the entrepreneurs.
- ✓ We've lived it, there is no replacement for carefully going through the proper business planning steps – feasibility study, market study, business plan and then a business prospectus.
- ✓ The three “M's” are crucial: Management, Marketing and Money!
- ✓ You simply cannot compete with the big and established firms . . . you MUST have a niche.

- ✓ Have a specialized product. Don't go head-to-head with the "big boys"– they don't want you there competing with them. Find a niche in which you can succeed.
- ✓ The Missouri Legislature allocates \$6 million in tax credits each year – part of this goes to the new generation coop incentive program and anything left over after that funds the value-added grant program.
- ✓ If during the planning process, someone says "let's stop talking and do something"– this is a bad sign.
- ✓ Strong farmer leadership and promotion are essential.
- ✓ We established a new generation cooperative in Missouri so we could get the state tax credits – then the coop started a LLC so we could raise outside capital from non-farmer members.
- ✓ If you set a timeline for a new project that you've never done before . . . you'll never meet it. These things take time.
- ✓ We are lucky that we have so many people working in our state in support of value-added activities. The best thing is that no one cares who gets the credit.
- ✓ The state of Missouri has 7 funding programs: Beginning Farmer Loan Program, Animal Waste Treatment Loan Program, Single-Purpose Animal Facilities Guarantee Program, Value-Added Grant Program, Value-Added Loan Guarantee Program, New-Generation Cooperative Incentive Tax Credit Program, Agricultural Products Utilization Contributor Tax Credit Program.
- ✓ You must remove the emotions . . . this is a business.
- ✓ Membership in our coop is a "security sale." We encountered rules and regulations dealing with "securities" that we never even imagined.
- ✓ For an ethanol plant, today the suggested minimum production capacity for a plant is 40 to 50 million gallons .
- ✓ The members of our coop provide about 27 percent of the corn we use – the rest is purchased on the spot market.
- ✓ We are now providing a premium for non-GMO, IP corn because we actually have a market with a feedlot for non-GMO, IP distillers grain to be fed to their non-GMO cattle.
- ✓ 73 percent of our operating costs are for corn, 20 percent for natural gas, electricity is third and labor is way down on the list.
- ✓ No longer do we worry about the supply of ethanol exceeding the demand.
- ✓ Operating efficiency in an ethanol plant is influenced by many things: equipment, technology, labor, use of various enzymes, use of heat and such.
- ✓ Be sure you have a market for your product before you start production.
- ✓ Borrow more money than you think you will need because you will need it.
- ✓ State income tax "credits" can be used to offset individual income tax or various business taxes in the state.
- ✓ Tax credits can be used directly or sold to another party that can use them.
- ✓ To help evaluate proposals for their funding programs, the Missouri Department of Ag has a non-partisan board that reviews applications and allocates the money.
- ✓ In order to get the state coop incentive funds, new coop board members are required to go through skills training – this helps deal with the challenges of organizing and operating a coop.

- | | |
|---|--|
| <ul style="list-style-type: none"> ✓ Feasibility studies can be funded through Missouri state grants. This helps farmers determine if they want to proceed with a project. ✓ If a feasibility study is positive, then the state can issue a grant for a business plan. Also can fund operational consulting. ✓ Good management, sufficient capital and effective marketing are absolutely necessary – you must be able to survive the inevitable mistakes that will occur. ✓ Project “champions” are absolutely needed for a project – good leaders are also needed but “champions” are critical! ✓ State and federal tax incentives at the processing level are critical to success of biodiesel and ethanol. ✓ Leaders of the cooperative venture must educate lenders, legislators, economic development officials and producers on what you are going to do and how you are going to do it. ✓ Location of the processing facility is very important – economics should drive location decisions, not emotions. | <ul style="list-style-type: none"> ✓ The purchase of corn by NEMO Grain has driven the corn basis of corn up 20 cents per bushel within a 100-mile radius of the plant – even for farmers that don’t sell to coop. ✓ A 40 million gallon per year ethanol plant is a medium sized facility today. ✓ Public services and grant programs should never remove the total “risk” of investors and farmers. This risk drives good management. ✓ We hired a consultant to help evaluate 10 ideas to increase farm income. ✓ Margins are tight on traditional farm commodities – we need to identify other types of income if our family farm is to be successful in the long run. ✓ We hired the wrong consultant the first time – so we fired that one and hired a better one. If you use a consultant be sure and select one that will indeed be able to help you. ✓ We had some preliminary studies done for 10 different ideas . . . 3 of them were deemed workable and we have selected one (probably edible soybeans). |
|---|--|

Questions to Consider:

1. What type of “support structure” do we have in Tennessee to help new cooperatives get started?
2. What would the ideal “support structure” include?
3. How can Tennessee compete with the types and amounts of public sector financial assistance and support structure in Missouri?
4. How can public, private and check-off type funds be leveraged to provide assistance and/or funding for cooperative projects?

Quarterly Progress Reports

A “progress report” was developed for each quarter of the project. These reports included a brief overview and summary of the project activities that had transpired and provided an update of the progress that had been achieved toward the project objectives. A copy of each progress report follows.

- Quarterly Report – October 2004
- Quarterly Report – July 2004
- Quarterly Report – April 2004

"Cooperative Development Emphasis"

A special program emphasis conducted by *the Center for Profitable Agriculture* and funded in cooperation with the Kentucky Center for Cooperative Development (KCCD) and the Tennessee Department of Agriculture

Established in October 2003, the Cooperative Development Emphasis is a 15-month Extension program which combines resources and objectives from the Center for Profitable Agriculture, the Kentucky Center for Cooperative Development and the Tennessee Department of Agriculture. The program is envisioned to improve the understanding and application of cooperative development strategies, increase the consideration of cooperative efforts and improve the success of cooperative efforts by farmers. Specific program strategies include identification of a "cooperative development program leader," conducting two mini-conferences, conducting one training session for agricultural leaders and educators, facilitating strategy sessions for two well-organized producer groups, disseminating cooperative development information via the Internet and conducting analytical work relative to the state's pending "processing cooperative law."

Below is an update of the activities and progress on the "Cooperative Development Emphasis" as of April 1, 2004.

News Releases: Six news releases have been developed and disseminated to announce various activities that have been conducted in the "Cooperative Development Emphasis." The titles of these articles are: "Extension Personnel Complete Training in "Cooperative Winter School," "Center Selects Two Farmer Groups as Cooperative Development Pilot Projects," "Center Seeks to Identify Farmer Groups for Pilot Cooperative Development Project," "Holland Named Leader of New Program Emphasis," "Kentucky Specialists Lead Cooperative Development Presentation at Recent Tennessee Training" and "Grant Helps Center Launch New Program."

Winter School Participation: Three UT Extension professionals recently completed a two-day training program in the Kentucky Cooperative Winter School program. The experience of the Tennessee delegates will be helpful as a training program planned for Tennessee.

Pilot Projects Selected: Two farmer groups have been selected as "pilot projects" of the Center's "cooperative development emphasis." The two groups are located in Hawkins County and Robertson County and will have focused attention and assistance from the Center as they consider and develop possible cooperative alliances, businesses and activities. A total of four meetings have already taken place with the groups.

Tennessee Cooperative Processing Law: Specialists in the Center have worked diligently to draft a "Commentary and Overview for the Proposed Tennessee Processing Cooperative Act." The draft is 90 percent complete (as of this writing) and future publication is planned. The commentary will be used in the furtherance of education regarding the new law.

Web Site: A direct link on the Center's home page has been devoted to a "Cooperative Development" page. This page contains a listing of News Releases, a printing of the program's Scope of Work and Resource Materials. Under the "Resource Materials" button appears a listing of 27 useful cooperative development "links" and links to all of the USDA cooperative development resources.

Information Disseminated: The Center has recently taken advantage of unique opportunities to interact with farmers and agricultural leaders on the topic of cooperatives and cooperative development. Three group meetings have been held, two information packets and accompanying commentary have been assembled and one "organization evaluation" consultation has been developed.

The Cooperative Development Emphasis is well established in the Center for Profitable Agriculture. We have a strong foot-hold on meeting each of the program objectives. We are assisting with real issues and we are learning about how to better develop cooperative efforts among farmers. The program is well underway."

Rob Holland
Program Leader for the "Cooperative Development Emphasis"
Center for Profitable Agriculture

"Cooperative Development Emphasis"

A special program emphasis conducted by the *Center for Profitable Agriculture* and funded in cooperation with the Kentucky Center for Cooperative Development (KCCD) and the Tennessee Department of Agriculture

Established in October 2003, the Cooperative Development Emphasis is a 15-month Extension program which combines resources and objectives from the Center for Profitable Agriculture, the Kentucky Center for Cooperative Development and the Tennessee Department of Agriculture. The program is envisioned to improve the understanding and application of cooperative development strategies, increase the consideration of cooperative efforts and improve the success of cooperative efforts by farmers. Specific program strategies include identification of a "cooperative development program leader," conducting two mini-conferences, conducting one training session for agricultural leaders and educators, facilitating strategy sessions for two well-organized producer groups, disseminating cooperative development information via the Internet and conducting analytical work relative to the state's pending "processing cooperative law."

The following is an update of the activities and progress on the "Cooperative Development Emphasis" as of July 1, 2004.

Update on New Coop Law Commentary: During the Winter and Spring of 2004, the *Center for Profitable Agriculture* conducted a review of Tennessee's new processing cooperative law. The review was documented under the title "Commentary and Overview of the Tennessee Processing Cooperative Law." On the outset, the review was envisioned as a "brochure-type" explanation of the new law. However, it was learned that a thorough review and discussion of the new law would best be presented in a complete comparison and consideration of the overall cooperative environment including a significant detail of cooperative history.

The history of rural cooperatives in the United States is well documented and has been thoroughly studied and debated in the discipline of both agriculture policy and business organization. The history of cooperatives includes numerous case studies of successful and failed ventures across the country. The history also reports modifications to basic cooperative models which were implemented to accommodate various changes in both the economic and agricultural environments. The history sheds light on the fact that agricultural cooperatives in the United States have represented more than just another legal business organization and have received special federal tax considerations, favorable antitrust protection, direct government funding and have been steeped in a heritage of business organization and operating principles unlike other business structures.

To say that the cooperative form of legal business formation is unique may be arguable as either an under- or over-statement. But to say that a quick and easy documentation and explanation of all facets, implications and comparisons of cooperatives is complex would not. Nonetheless, in this publication, we attempt to build a basis of understanding about the cooperative business, to present the primary characteristics of cooperative organization and to explain the characteristics of the new processing cooperative law with respect to the traditional cooperative environment. In the process of drafting the "Commentary," it was concluded that you cannot begin to consider the opportunities or advantages offered by the "processing cooperative" law in Tennessee until you first have a good understanding of the history, principles and culture of traditional cooperatives. In addition, it is estimated that 90 percent of the history, literature and description of cooperatives is of a national perspective while actual cooperative organization begins with state statute. The commentary developed by the Center first presents and builds on the available national perspective then specifies state-level applications. Published copies of the commentary are expected to be available during the late summer.

Planned Outreach Activities: In cooperation with the Tennessee Farm Bureau Federation, an educational and informative video focused on the new processing cooperative law will be developed. The video will communicate some of the information that is documented in the "Commentary and Overview of the Tennessee Processing Cooperative Law." In addition, the video will feature cases and comments from successful cooperative agriculture ventures in other states. The purpose of the video will be to showcase some of the successful cooperative farmer ventures in other states and to feature comments about the development, successes, failure, suggestions, warnings and growing pains by cooperative board members, employees, advisors and investors. The video is envisioned to run approximately 15 to 20 minutes and will be developed by the TFBF communications department. Possible venues where the video will be used for instruction

include county Extension meetings, county Farm Bureau board meetings, state and regional farm bureau conferences and various outreach meetings of the CPA. In addition, a small group tour will be conducted in other states of successful cooperative agriculture ventures. It is envisioned that the tour will mirror the video described above. The tour will be organized by the TFBB with approximately 15 to 20 farmers, farm and agriculture leaders participating. The purpose of the tour is to provide a selected group of farmers and agriculture leaders face-to-face contact with successful value-added cooperative ventures. We feel this face-to-face contact will be an important precipitous to improved understanding of the application opportunities for the new processing cooperative law as well as advanced interest in the use of the video across the state.

Other Cooperative Development Activities:

- ▶ **Northern Tennessee Farmers Association** - This group of farmers continue to look for ways to cooperate together and keep their farm operations viable. They also are in the process of identifying grant opportunities to assist in the evaluation of potential value-added enterprises.
- ▶ **Giles Beef Alliance**- This group of cattle producers continues to cooperatively market cattle of like genetics and production programs. They also are in the process of identifying possible grant programs to assist in the evaluation of potential value-added enterprises.
- ▶ **Upper Cumberland Beef Alliance Mid-Western Cattle Tour** - A group of some 80 cattle producers and agricultural leaders will travel on a summer study tour of beef cattle operations in Kansas and Nebraska during the week of July 18. The tour will feature a visit to the USDA Meat Animal Research Center and the Kansas State Meat Science Department as well as various feedlots and cow-calf operations in both states. This study tour is part of the developing efforts for the Upper Cumberland Beef Alliance.
- ▶ **Cooperative Employee Training** - The Tennessee Council of Cooperatives will host a "Cooperatives Employee Workshop" on July 15 in Nashville. The workshop is targeted to any employee, especially new employees, of a cooperative. The workshop will emphasize key issues that make cooperatives different from other forms of business and why cooperatives were formed to meet the economic needs of their member-owners. Topics to be covered include types of businesses, definition of cooperatives, history of cooperatives, cooperative principles and the new processing cooperative law.
- ▶ **Update on Pilot Projects** - Virtually no activity has taken place with the two pilot projects since April. Follow-up meetings with both groups are being planned for the coming months.
- ▶ **Information Disseminated** - The "cooperative development" page on the Center's web site continues to serve as a good and preferred method of directing inquirers to broad and specific information about cooperatives and cooperative development. The web address for the site is <<http://cpa.utk.edu>> then click on "cooperative development."
- ▶ **Small Group Training on Processing Coop Law** - As a collaborative effort between the *Center* and the Tennessee Farm Bureau, a small-group training session is being planned to provide a detailed overview of the new processing cooperative law. We expect to provide a program for 10 to 12 agricultural leaders conducted by the primary author of the legislation. As of this writing, a date for this small group training has not been finalized.

....."
"Cooperative Development activities in recent months have primarily involved final details of the state's new processing coop law and planning for the upcoming processing coop law video and small group tour. We are on schedule to exceed the planned program objectives and have certainly made significant progress toward developing a strong cooperative development program."

Rob Holland
Program Leader for the "Cooperative Development Emphasis"
Center for Profitable Agriculture
931-486-2777

“Cooperative Development Emphasis”

A special program emphasis conducted by the *Center for Profitable Agriculture* and funded in cooperation with the *Kentucky Center for Cooperative Development (KCCD)* and the *Tennessee Department of Agriculture*

Established in October 2003, the Cooperative Development Emphasis is a 15-month Extension program which combines resources and objectives from the Center for Profitable Agriculture, the Kentucky Center for Cooperative Development and the Tennessee Department of Agriculture. The program is envisioned to improve the understanding and application of cooperative development strategies, increase the consideration of cooperative efforts and improve the success of cooperative efforts by farmers. Specific program strategies include identification of a “cooperative development program leader,” conducting two mini-conferences, conducting one training session for agricultural leaders and educators, facilitating strategy sessions for two well-organized producer groups, disseminating cooperative development information via the Internet and conducting analytical work relative to the state’s pending “processing cooperative law.”

Below is an update on the “Cooperative Development Emphasis” activities from July to September 2004.

Publishing:

- **“Considerations for Membership/Investment in a Processing Cooperative”** -- This document provides a quick introduction to some important thoughts and terms for those farmers who may consider membership and investing in a processing cooperative. The 12-page manuscript is currently in the peer-review process and is slated for publication in November 2004.
- **“Commentary and Overview for the Tennessee Processing Cooperative Law”** -- The manuscript for this 42-page document has completed the peer review process and is currently in the layout and design phase of final publication. It will be published as UT Extension PB # 1748 and is slated for release in October 2004.
- **CPA Info #95** -- Printed slides of a PowerPoint Presentation on the Tennessee Processing Cooperative Law -- This fact sheet has been used as a handout for various presentations and discussions regarding the new cooperative law.
- **CPA Info # 96** -- **“Thoughts for Farmers Considering Membership/Investment in a Processing Cooperative”** -- This fact sheet has been used as a handout and worksheet for various group meetings and teaching.
- **CPA Info # 97** -- **“Introduction and Overview for the Tennessee Processing Cooperative Law”** -- This fact sheet has been used as a handout for various group meetings and teaching. It has served as an interim handout until the official UT PB #1748 is completed.
- **CPA Info #98** -- **“A Follow-Up to the Cooperative Study Tour”** -- This fact sheet was developed to document many of the quotes, thoughts and observations from the out-of-state cooperative development study tour. This document is pending distribution to those who participated in the study tour and will be used in various other outreach and teaching programs.

Outreach:

- **July 27** -- Small Group Training Session on the new Tennessee Processing Cooperative Law. Training sponsored by the Tennessee Department of Agriculture, Tennessee Farm Bureau Federation and the CPA. Training conducted at the Ellington Agricultural Center with 18 participants.
- **August 13** -- Presentation at the Tennessee Farm Bureau Federation’s “County President’s Conference.” This presentation was made in cooperation with the Tennessee Department of Agriculture with 50 participants.
- **August 17 - 19** -- Cooperative Development Study Tour. This trip included educational presentations and on-site visits and discussion with various farmer cooperatives in Missouri, Illinois and Kentucky and involved 19 participants from Tennessee.
- **August 26** -- Presentation to the Tennessee Council of Cooperatives “Coop Employee Training” Seminar Training conducted at the Ellington Agricultural Center with 34 participants.

“The Cooperative Development Emphasis is well established in the Center for Profitable Agriculture. We have a strong foot-hold on meeting each of the program objectives. We are assisting with real issues and we are learning about how to better develop cooperative efforts among farmers. The program is well underway.”

Rob Holland
Program Leader for the “Cooperative Development Emphasis”
Center for Profitable Agriculture

Other

Four additional items of significance related to the cooperative development project are described below.

- **“Notebook” and “Library” of Resources:** Multiple copies of four “cooperative” publications have been included in the “library” of resources available from the Center. These publications have proven particularly useful to those farmers, farmer groups and agriculture leaders involved in the “planning and development” phased of business development. The title of these publications and the sponsoring agency is listed below.
 - How to start a Cooperative – USDA
 - Coops 101 – USDA
 - What is a Cooperative – Tennessee Council of Cooperatives
 - Cooperatives: Principles and Practices in the 21st Century – University of Wisconsin Cooperative Extension

- **7th Annual Farmer Cooperatives Conference – Kansas City, Missouri, November 1-2, 2004:** The project coordinators attend this national conference and participated in more than 15 hours of presentations and workshops delivered by some 18 different educators, researchers and business leaders.

- **2004 Cooperative Winter School Barren River State Park, Kentucky, February 26 – 27, 2004:** The project coordinator and two UT Extension County Agricultural agents attended the two day program and participated in various presentations, round-table discussions, role-play exercises and workshops.

- **Announcement of Educational Resources for Tennessee’s “New” Processing Cooperative Law:** The “memo” on the following page was released as a means of increasing awareness of the available educational resources with County Agricultural agents and other agricultural leaders.

TO: All County Agriculture Agents

FR: Rob Holland
Center for Profitable Agriculture

DA: December 20, 2004

RE: Educational Resources for Tennessee's "New" Processing Cooperative Law

In an effort to assist in the consideration and application of Tennessee's new "Processing Cooperative Law," we in the *Center for Profitable Agriculture* have developed several educational resources. Through partnership efforts among the Tennessee Department of Agriculture, the Tennessee Farm Bureau Federation, the *Kentucky Center for Cooperative Development* and the *Center for Profitable Agriculture*, the following resources have been developed in support of outreach and education specifically for the new law:

- UT Extension **PB1748** "*Commentary and Overview for the Tennessee Processing Cooperative Law*"
- UT Extension **PB1750** "*Considerations for Membership/Investment in a Processing Cooperative*"
- **Video** "*Agriculture's Future: The Tennessee Processing Cooperative Law*"

Each county should receive two copies of PB1748 and 10 copies of PB1750 directly from the mail and supply room.

- Additional copies of PB1750 can be requested from the mail and supply room.
- Additional copies of PB1748 can be obtained by sending a request to me at <rwholland@utk.edu> or by phone at 931-486-2777.

The video can be viewed on line at <<http://www.tnfarmbureau.org/video.html>>. A *vhs* video tape or a DVD can be obtained by sending a request to me at <rwholland@utk.edu> or by phone at 931-486-2777. The video is about 15 minutes and was developed to be used in small-groups as a "public-service-type" announcement to make people aware that the law exists and to show examples of actual cooperative ventures.

In addition, we have access to additional publications and resources (mostly published by USDA and cooperative centers in other states) on considering and starting a cooperative.

PB1748 provides a summary of the Tennessee Processing Cooperative Law which was passed in 2004. It provides a historical perspective of farmer cooperatives and compares the new law to various other business organization structures. The publication provides a broad view of the differences in the new law and traditional cooperatives and presents the specific and unique characteristics and terms for the new law. This publication is best for folks that want to know details about what the new law offers and how it compares to other possible legal business structures.

PB1750 is suited for groups or individuals who are considering a processing cooperative as the legal business structure. It provides a description of the possible steps to follow in the formation and provides descriptions/discussions of the roles of cooperative members. It also provides guidelines for raising and contributing money and a checklist for possible farmer members. This publication is best for farmers who are actually contemplating possible membership in a processing cooperative or are embarking on recruiting members in a processing cooperative.

“Agriculture’s Future: The Tennessee Processing Cooperative Law” is a 15-minute video that includes comments from Tennessee lawmakers, provides a description of what the law offers and includes specific footage and interviews with managers and members of processing-type cooperatives in other states. The video is not a step-by-step, workshop approach to developing a processing cooperative – it is a “public-service-type” announcement to make people aware that the law exists and to show examples of actual cooperative ventures.

We hope these educational tools will be helpful as farmers and farmer groups consider value-added enterprises through cooperative processing ventures.

A “Checklist” Summary

Benchmarks	Results	Comments
Conduct 2 outreach sessions to improve understanding of the “cooperative” form of business organization <u>and</u> conduct 1 training session for agricultural leaders and Extension agents	<p>07/27/04 – Overview of New Coop Law – presentation to Invited Ag Leaders – 14 attended</p> <p>08/13/04 – Overview of New Coop Law – Presentation to TFBF President’s Conference - 46 attended</p> <p>08/17-19/04 – Cooperative Development Study Tour - 19 attended</p> <p>08/26/04 – Overview of New Coop Law – presentation to TCC “Coop Employee Training Short Course” - 36 attended</p> <p>10/20/04 – “Overview of New Coop Law” – presentation to multi-state Tobacco Leadership Program - 40 attended</p> <p>11/10/04 – “Overview and Application of New Coop Law” - Break-out session at UT Extension Staff Conference - 64 attended</p> <p>01-08-04 – Strategy Session with “HCLA” – 12 attended</p>	Results exceeded benchmark objectives with a total of six outreach and training sessions provided to an audience of 219.
Conduct strategy sessions with 2 producer groups	<p>01/27/04 – Strategy Session with “HCLA” - 16 attended</p> <p>03/04/04 – Strategy Session with “ASC” - 4 attended</p> <p>03/04/04 – Strategy Session with “HCLA” - 14 attended</p> <p>03/29/04 – Strategy Session with Robertson/Sumner Producer Group - 18 attended</p> <p>07/07/04 – Conducted Strategy Session with “GCBMA” - 4 attended</p>	Results exceeded benchmark objectives with a total of six strategy sessions with five different producer groups consisting of 68 farmers.
Develop Web site for “Cooperative Development”	<p>http://cpa.utk.edu</p> <p>Click on “Cooperative Development”</p>	“Coop Development” web site developed, updated and maintained throughout the project.
Conduct analytical work on the Processing Cooperative Law	<p>PB 1748 “Commentary and Overview for the Tennessee Processing Cooperative Law”</p> <p>PB 1750 “Considerations for Membership/Investment in a Processing Cooperative”</p> <p>Video “Agriculture’s Future – The Tennessee Processing Cooperative Law”</p> <p>CPA Info#98 “A Follow-Upto the Cooperative Study Tour”</p> <p>CPA Info#97 “Introduction and Overview for the Tennessee Processing Cooperative Law”</p> <p>CPA Info#96 “Thoughts for Farmers Considering Membership/Investments in a Processing Cooperative”</p> <p>CPA Info#95 “Tennessee Processing Cooperative Law”</p> <p>CPA Info#88 “Thoughts on Requesting Federal Tax Exemption as a 501(c)(3) or 501(c)(5) Non-Profit Organization”</p>	“Analytical Work” included in the development of eight educational tools (including two official UT Extension Publications) that have been (and will continue to be) used extensively in outreach, awareness and education programs.

Appendix

- PB 1748 – Commentary and Overview for the Tennessee Processing Cooperative Law – Released December 2004
- PB 1750 – Considerations for Membership/Investment in a Processing Cooperative – Released December 2004
- Introduction and Overview for the Tennessee Processing Cooperative Law (CPA Info#97) – Released August 2004
- Thoughts for Farmers Considering Membership/Investments in a Processing Cooperative (CPA Info#96) – Released August 2004
- Tennessee Processing Cooperative Law (CPA Info#95)
- Thoughts on Requesting Federal Tax Exemption as a 501(c)(3) or 501(c)(5) Non-Profit Organization (CPA Info#88) – Released April 2004