

Connections

Winter 08

NORTHWEST COOPERATIVE DEVELOPMENT CENTER

Fostering community economic development through the cooperative business model

COOPERATIVES CREATE VALUE

The value of a business is to generate profit for investors. Co-ops, like any other business, add value.

However, co-ops are different. Co-op members own, use and control the business, share risk, and expect profit. In addition to profit, co-ops provide services to members.

To be effective, co-ops must be clear on their value proposition. The value proposition is how a product or service is distinguished as a superior option.

For example, if the aim is to maintain stewardship and gain benefit from production to consumption, a co-op offers this as a key part of the value to its members.

Co-ops, as businesses comprised of local owners, add economic diversity and strength to the local economy, and provide local employment. Additionally, when the membership is engaged and empowered, local populations gain business skills.

The attributes of local ownership have the potential to mobilize other community activities. By their nature co-ops balance multiple bottom lines; economic and social.

The economic value proposition

Co-ops like other businesses are driven by market forces. They must generate revenue to offset the costs of operations and return profit on the capital used.

Dr. Chris Peterson,
Michigan State University



Agribusiness Economist & cooperative business educator, reinforces this message: "Creating value is a key financial metric; return on capital must be equal or better than the cost of capital."

Conversely, a McKinsey & Co. report in 2002 was very negative against value maximization in Ag co-ops. Their report highlighted Ag co-op's susceptibility to business inefficiencies. Improvement strategies included consolidation and market focus.

Improving the value proposition

According to Doug Sims retired CEO of CoBank: "there is nothing about the cooperative... that prevents it from creating value except the ability of board and management to develop and execute a successful business plan."

*Engagement by membership
is everything*

Knowledge is key for both board and management. This must be coupled with an ability and mechanism for

measuring success.

The board's role is to equip themselves with the knowledge necessary to provide strategic focus and strong direction to staff. This is accomplished through on-going board, member and staff education.

Board education is far more inexpensive when compared to board ignorance.

Engagement by membership is everything. Co-ops create value at the member level. If members don't care then there are more effective ways of organizing capital. Cooperatives must devise a mechanism to measure value and ensure its visible, and meaningful to the members.

NWCDC is a 501(c)3 providing development services for co-ops. Founded in 1979, we serve WA, OR, ID and HI

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We're Seeking Co-op Development Proposals

The Center is accepting proposals for our development services as part of our planning and application to the USDA's Rural Co-op Development Grant. The Center annually solicits proposals to be included in our work plan of co-op development projects.

We want to hear about your project by Feb. 29! Please contact us if you are part of a group seeking to form a co-op or if your cooperative seeks any of the following activities:

- Business and strategic planning
- Co-op education
- Feasibility studies
- Trainings (board, member, leadership, etc.)

Projects must provide at least 25% match of the total project cost and preference will be given to projects with more. Pending an August USDA approval of proposal, work would begin October 1st 2008.

Please contact Diane Gasaway for more details: 360.943.4241 or diane@nwcdc.coop

Grow Your Own Food Co-op Workshops

In 2006, our *Grow Your Own Food Co-op* brought together co-op planning groups from eight communities in four states. We will be offering two workshop series in 2008 to groups interested in creating a food co-op in their community.

For registration info contact Andrew McLeod at 360-943-4241 or andrew@nwcdc.coop

Puget Sound Intensive

April 19 – 20, the Food Co-op in Port Townsend will host a weekend of workshops on how to start a new food co-op. This is a distilled event will cover both organizational and leadership needs, as well as the financial aspects of starting a new cooperative.

Inland and In-depth

This two-part series is an effort to bring cooperative resources to the inland part of our region. Part one will take place in at the Moscow Food Co-op May 30 – June 1, and will focus on building a strong organization and leadership. Part two will be held at the Boise Co-op August 15 – 17 and will focus on feasibility and financing. Each gathering will run from Friday evening to Sunday afternoon.

PRESERVING A PIECE OF PARADISE

This is the story of Blue Fronda, a second generation Kona coffee grower. It's a celebration of tradition and a desire to preserve a family legacy.

The Fronda legacy began in the late 1930's. Blue's first memories of coffee are when he was about five years old, trying to suck the sweet out of the skin of a coffee bean; catching honey bees, then burying them in the coffee bean husks; making windmills out of coffee leaves and whistles from the leaves of weeds. Later memories were of using ladders to reach high branches, and on occasion, just sitting there.

Picking coffee from a very young age was a must in his family of eleven siblings, particularly if they wanted lunch. Sometimes Blue recalls going without lunch, instead opting to gather his own, which consisted of other fruit grown amongst the coffee trees. On these occasions, the punishment was a possible lunch of guava, passion fruit, avocados, loquats and pomegranates.

Growing up, the entire family was expected to participate through every stage of the coffee processing: from washing the beans, to raking the drying beans with their feet, to transporting the coffee. Everyone carried coffee, even the little 4-5 year olds.

In Blue's early adult years he was not entirely enamored of coffee farming. He eventually returned to his roots and in 1984 he planted coffee again. By now the desired coffee trees had evolved from the tall varieties to shorter versions. Through trial and error they learned to propagate their trees, rather than rely on short-lived nursery stock.

Blue and his wife, Sue, raised three children in the tradition of family coffee growing, with the tenets of work first, then play.



Teaching the next generation...

Their mission is to save the legacy of small Kona coffee farmers

Today they are sharing their coffee growing history with the third and fourth Fronda generations. To ensure this family tradition, the property has been placed in trust for the children.

This is one story of many to be shared by a new Kona coffee marketing co-op venture in Hawaii. Their mission is to save the legacy of small Kona coffee farmers.

Small farms are defined by those who work the land themselves and cultivate their farms as holistic food systems for their families.

They not only grow coffee, but also many of the fruits described in Blue's childhood memories.

For them farming is more than a way of life; it's a lifestyle.



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We seek your opinion on our newsletter

We've been examining the direction and focus of our newsletter and we'd like to know what you think. Please take the time to complete the following survey.

We first published and distributed Connections in 2001. We now mail to over 1,000 people, and email over 600.

While we primarily focus on our service territory of Hawaii and the tri-state Northwest, nationally we have readers ranging from D.C. to Louisiana.

Please return the portion below to us:

1. Are you a: (please circle)

- Business
- Individual
- Co-op business

2. Did you receive this publication:

- Directly from NWCDC
- From someone else

3. Are you interested in contributing content?

- Yes
- No
- Maybe, I'd need more info

4. Would you prefer:

- Shorter, brief articles
- Longer, more in-depth articles
- Both short and long

5. Would you prefer:

- Longer, 6-page publications twice per year
- Shorter, 4-page publications four times per year

6. How do you feel about advertisements?

- I'd don't care
- I'd like to see commercial content

- It could possibly comprise the content

- I'd be interested in sponsoring ad space

7. Would you prefer to receive the newsletter via:

- Email
- Mail
- Both

8. What do you think of the new design?

- I like it
- I don't care or didn't notice
- I dislike it