ECONOMIC CONTRIBUTION OF AGRICULTURAL, FARM CREDIT, AND RURAL ELECTRIC COOPERATIVES TO THE NEW YORK STATE ECONOMY

Economic impact headlines tend to announce a shock to the economy when a new business starts or relocates into an area or when a business closes its doors. Economic development practitioners tend to measure a company or sector in number of jobs, payroll, and taxes. The economic impact of the production agriculture and food sector can be difficult to quantify and may appear small relative to other sectors as investment in mechanization of production and processing can reduce the number of employees and payroll. More recently cooperative leaders have asked, “How can we further define the value of the cooperative to our members and to the communities in which we are located?” Economic contribution measures the influence in a region’s existing economy that can be attributed to a given industry or business. Cooperatives are important to the agriculture and food sector in the financing, services, and inputs they provide to farm operations and the processing and marketing functions of products leaving the farm gate. In addition, rural electric cooperatives provide needed services to rural communities not served by other utility carriers.

Todd Schmit, Associate Professor, Cornell University with funding provided through the USDA, National Institute for Food and Agriculture (NIFA), led a study to examine the economic contribution of agricultural, Farm Credit and rural electric cooperatives conducting business in NYS. Funding parameters limited the project to cooperative business activity inside NYS. Data for the project was sourced from surveys completed by cooperatives and cooperative annual reports. Cooperatives tend to do business with one another. Thus 2016 net business volume from USDA Rural Development Cooperative Programs Annual Farmer, Rancher, and Fishery Statistical Data was included in the analysis. Input-Output modeling provides an insightful way to depict and investigate the underlying business connectivity that binds an economy together. IMPLAN software was utilized to measure the economic contribution of cooperatives to the NYS economy. Direct effects are the ‘splash’ of the cooperative business activity. Indirect effects are the subsequent ripples of the suppliers in goods or services provided to or upstream from the cooperative enterprise. Induced effects are the ripple effects of wages and proprietor income spent throughout the economy from the direct and indirect effects.

Results of the work show that total output or direct effects for cooperatives in the study was $3.8 billion, e.g. marketing includes processing milk or fruit. When the backward linked, business-to-business transactions or indirect effects, e.g. milk and fruit production from the farm, and induced effects (employee compensation, proprietor income) are calculated the total effect of cooperatives in the study is over $8 billion. Multipliers indicate the extent of the linked economic activity between the ‘splash’ and

(see next page)
the ripples across the study area. In this case for every $1 in direct effect of cooperative structured businesses, the cooperative economy generated an additional $1.10 in economic activity. Total cooperative jobs (not FTEs) in the study area totaled 5,745. Indirectly those jobs supported an additional 14,186 jobs in backward-linked jobs of those businesses that provide supplies to the cooperative sector and an additional 5,641 jobs within the community where cooperative employees spent their wages. In terms of multipliers, 3.35 jobs were spent locally. Patronage refunds supported 455 stockholders who can live anywhere and spend dividends owned, members tend to live in a local area compared to cooperative members. As cooperatives are member-owned, members tend to live in a local area compared to stockholders who can live anywhere and spend dividends anywhere. It is assumed that patronage refunds paid to members were spent locally. Patronage refunds supported 455 jobs and contributed $92.4 million to the NYS economy.

What about the cooperative proposition?

I-O analysis rests on a series of assumptions. In this analysis we examined the contribution of patronage refunds to cooperative members. As cooperatives are member-owned, members tend to live in a local area compared to stockholders who can live anywhere and spend dividends anywhere. It is assumed that patronage refunds paid to members were spent locally. Patronage refunds supported 455 jobs and contributed $92.4 million to the NYS economy.

### Cooperative Member Value in New York State

<table>
<thead>
<tr>
<th>Cooperative Type</th>
<th>Employment (jobs)</th>
<th>Labor Income ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Electric</td>
<td>11</td>
<td>2.2</td>
</tr>
<tr>
<td>Farm Credit</td>
<td>262</td>
<td>53.8</td>
</tr>
<tr>
<td>Supply and Service</td>
<td>7</td>
<td>1.4</td>
</tr>
<tr>
<td>Marketing</td>
<td>175</td>
<td>35.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>455</strong></td>
<td><strong>92.4</strong></td>
</tr>
</tbody>
</table>

Source: Cooperative surveys, IMPLAN (2018), USDA Rural Development (2017), author calculations

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**SAVE THE DATES!!**

**FEBRUARY 27, 2019—NEW—** (Details to follow)
Future Cooperative Leaders Conference, Doubletree by Hilton, East Syracuse, NY

**FEBRUARY 28, 2019**
NECC Cooperative Leaders Forum
Doubletree by Hilton, East Syracuse, NY

**MARCH 1, 2019**
CoBank Northeast Customer Meeting
Doubletree by Hilton, East Syracuse, NY

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**PRESIDENT’S COLUMN**

Last spring my wife Corinne and I were asked to appear before the County Board of Supervisors (our county government) along with several other farmers to comment on the state of agriculture and how it was impacting our farm and how the county may be able to help us. (That was easy – lower our taxes...that didn’t go over well) In all seriousness though, we had a great discussion with the Board and they seemed very receptive to listening to what we had to say and even learning about some false impressions they had about things like milk promotion. We followed up with the Board via email after the initial meeting and have invited them to the farm and like our farm Facebook page. As a direct result of this meeting, we were invited to another round table discussion put on by a County Action Group in a neighboring town whose audience was all non ag community members. This meeting was held a couple weeks ago and seemed to be a big hit with the audience as lots of connections were made. Two more invites were extended from this meeting, one to a group of Colgate students and one to a similar audience as this was in a different part of the county. Each round table had a diverse section of ag representatives on the panel and based on the questions from the audience, people are genuinely concerned about what is happening in their back yards. They want to know what they can do to help (buy local or from coops that are supporting their local farms) and they want us to know they care.

Farmers make other connections with the non-farm community. One great opportunity for dairy to tell their story has been the evolution of the Birthing Center at Fairs. The NY Animal Ag Coalition started this at the NYS Fair 6 years ago and there have been several spinoffs at county fairs since. The event of a birth brings an impressive crowd and a great opportunity for the hundreds of volunteers to educate both one on one and over the microphone. When you’re in the supermarket, don’t forget to thank someone for purchasing your product. Many farmers put out regular newsletters to their neighbors explaining what and why they do what they do. Create a Facebook page for your ag business if you don’t already have one and provide regular updates with what you do.

Consumers today are very concerned about how and where their food is produced and where it comes from. We can not consider this to be an intrusion and must use their interest to our advantage. We have stated over and over again, if you have a question, ask a farmer, not Google. When we are asked to talk to the public in any kind of forum we need to find a way to make that work - tell our story, tell our cooperative story – if we don’t tell it, someone will tell it for us and we may not like what they have to say.

*Bill Banker*
TALE OF TWO SUMMITS

Grape Summit, April 12

NYS Lt. Governor Kathy Hochul convened the first Concord grape summit on April 12th at the Grape Discovery Center in Westfield, NY. Approximately 100 people attended. New York is the second largest producer of Concord grapes in the nation. The sector is challenged by increasing grape supply and decreasing consumption of grape juice. State and county elected officials addressed the group. “Our consumers have changed,” said Jamie Militello, National Grape member. “I think people are more conscious of sugar, of their health. But that is why we fit perfectly—we are a health drink.” Latin American and Asian markets could provide opportunities. The U.S. market tends to shy away from the sugary taste profile but, “everybody else likes sweet stuff,” said Steve Cockram, General Manager of Growers’ Cooperative Grape Juice Co. Brent Roggie, General Manager of National Grape said, “The industry needs to fight the juice beverage stigma by showing the Concord Grape juice health benefits, like the amount of polyphenols, second only to pomegranates and less expensive.”

Several suggestions were made for further action to improve opportunities for farms and businesses in the grape sector. They include:

Advance research
- Denaturing Concord juice to create a neutral blending juice for wine through a public-private partnership between Cornell University and Welch’s
- Support of the Vine Certification Program to ensure disease-free planting stock in collaboration with Cornell University
- Research and development for new products using Concord grapes

Develop new products and markets
- Host the “Grape State of NY Competition” for NY food and beverage manufacturers to develop new product lines using Concord grapes
- Improve grape industry representation at domestic and international trade shows
- Expand the NYS Grown and Certified program to include grape juice and wine; convene workshops on export opportunities and marketing assistance
- Focus on institutional purchase of grape juice; launch Concord grape Market Development Grants program
- Launch a Brandy competition in addition to the Governor’s Cup for winemakers to develop unique craft beverages featuring Concord grapes
- Hold Grape Day at the NYS Fair and feature Concord grape products at the Taste NY Marketplace

Dairy Summit, August 13th

Bob Wellington, Sr. VP, Economics, Communications and Legislative Affairs, Agri-Mark, Inc. called the Open Dairy Summit to order on August 13th. Catherine de Ronde, Agri-Mark Economist and Ben Laine, Cobank Sr. Economist set the stage for the event by presenting on “Supply Programs of the Past” and “Ongoing Supply Programs” respectively. De Ronde summarized the supply initiatives from the 1980s forward after the U.S. government moved away from price support programs and purchase of dairy products. Laine mentioned some of the tools used to manage milk supply—closed cooperative membership, tiered pricing and assessments to support the discounted prices or increased cost of hauling necessary to move milk along the supply chain or dump it. He noted some independents have closed plants and cancelled contracts. Quota systems tend to be enforced by government, citing the Canadian system and the EU’s system from 1984 through 2015. Nick Thurler, Dairy Farmers of Ontario Canada board member provided insights into the Canadian quota system. He noted that in spite of the system, the rate of decline in the number of Canadian dairy farms was similar to that of the U.S.

Other presenters included National Council of Farmer Cooperatives, Sr. VP and General Counsel Marlis Carson and Todd R. Eskelsen, Partner, Eskelsen Law Group, LLC who shared information on protections of cooperatives provided through the Capper-Volstead Act along with case law and current litigation of cooperatives pending in the court system. A cooperative that is Capper-Volstead compliant can be protected from anti-trust litigation when aligning the supply of milk with its processing capability. Bob Gray, Gray and Oscar, LLC suggested the industry needed to be united and that consumer groups would need to support any proposed legislation submitted to Congress.

People were invited to submit proposals prior to the event. Five proposals were brought before the meeting and to date an additional 15 proposals have been submitted as potential solutions to managing milk supply. At the end of the day, people in the room discussed next steps. In the short-term, cooperatives will continue to examine fees charged to members to offset the discounted prices and hauling fees to move or dump milk. Tiered pricing may further be refined. To safeguard the industry legislative action was suggested. A question was posed as to how supply management might be incorporated into federal milk marketing orders. Some of the presentations and all of the proposals are available for review at https://www.dairyproposals2018.com/ The website provides opportunity to comment on each proposal.
Cooperatives are formed by a group of people with a common need or opportunity that cannot be achieved by one person working alone. Member engagement is important to the success of the cooperative. People, and more importantly the people who show up, define an organization, its purpose and sense of direction. Engagement is critical to build a sense of member ownership. Engagement by a member is a necessary precursor to develop a competent future leader of the organization.

Why do people engage or show up?

People are motivated by self-interest. For the co-op, this is a perfect opportunity for the organization to showcase the benefits it provides to its membership or answer the question how is membership in this cooperative a more desirable alternative to the competition. Cooperatives are constructed of diverse members—large, small, part time, production techniques, organic, etc. A cooperative can group members with similar characteristics and target messages and engagement programs specific to each group. Perhaps messages might showcase through the cooperative, member access to the international market place, member investment in research and product development, or how leadership extends the member influence via the cooperative throughout the market place and regulatory and legislative environment. Messages need to be engaging, informational, educational, and entertaining. The Member Relations and Marketing groups can work together to identify types of members and develop the messages.

People like to feel valued and that they make a difference. Many cooperatives spotlight members on their websites and at annual meetings. Recognition comes in the form of affiliation for long-term membership or quality of product delivered to the co-op processing facility, or a new member who has chosen to join the co-op. What new opportunities might emerge for recognition in the future that are meaningful to members and perhaps resonate in the market place?

People desire to be affiliated with success, a cause or purpose in which they believe. People engage when they believe change is needed. They may be motivated by power in having a platform from which to speak. The USDA, Rural Development, Cooperative Programs conducted a study several years ago of over 1,150 members of a dairy cooperative doing business in Illinois, Minnesota, Iowa, and Wisconsin (Gray). The study found that those who attended meetings were more satisfied with farming as a way of life and more closely identified with the cooperative. They believed in one-member, one-vote. They tended to have larger farm units and larger herds. Spouses were less likely to work off of the farm.

Why don’t people engage?

People tend not to engage because of time constraints, family responsibilities and alternative preferences for how they choose to spend their time. The study mentioned above indicated that members who were dissatisfied with farming as a business or lifestyle were less likely to attend cooperative meetings and that they were less connected to cooperative principles. Farm sales tended to be lower, they had fewer employees and more spouses worked off of the farm. As opportunities for member engagement emerge across a variety of platforms, consider new opportunities that intersect with member self-interest, recognition and their closely held personal beliefs.


**REMINDER...**

- The NECC is seeking nominations for the Cooperative Internship Recognition Award (CIRA).
- Eligibility: Student enrolled in accredited Northeast college or university who successfully completed an internship with a NECC member cooperative between January 1 and October 31, 2018. Applications due November 15, 2018.
- Contact Bobbie Severson for more information and application at rmh27@cornell.edu or ph. 607.255.1987
Meet our NECC board members....

Mike Viano is Director of Cooperative Supply & Special Counsel at Ocean Spray Cranberries, Inc. In this role, Mike focuses on issues supporting the cooperative’s business and financial health, and Ocean Spray’s more than 700 cranberry farmer-owners. This work includes grower services, implementing strategies to ensure a reliable and high-quality supply of cranberries for the cooperative, and government advocacy with state and federal policymakers. Mike joined Ocean Spray as an attorney, spending four years with Ocean Spray’s legal department before moving to the Cooperative Development team. He is a graduate of Georgetown University and the Georgetown University Law Center. Mike was born and raised in the Boston area, and currently resides in Westwood, Massachusetts, with his wife and three children.

Roger Almeter has served on the Board of Directors of Upstate Niagara Cooperative Inc. since 2006 and on the Niagara board of directors for 2 years preceding the merger with Upstate. Presently he is the Assistant Secretary of the cooperative and is a member of the Finance and By-laws committees. The farm has evolved from a 4-row station barn with 48 cows in 1956 to 1,100 milking and dry cows and 840 head of young stock. The farm owns 1,000 acres of which 650 are tillable and rents and additional 1,450 acres. All forages are grown for the dairy herd along with most of the grain corn. Owners of the farm include Rog, his wife Debbie and 6th generation son Brad and his wife Carolyn. Bruce Almeter, Roger’s brother plays a critical role on the farm.

Cornell Cooperative Business Management class—learning projects

Six student groups from the Cornell University Cooperative Business Management class worked with key leaders of Upstate Niagara Cooperative, Inc., National Grape Cooperative Association, Inc., Eden Valley Growers, Upstate NY Growers and Packers, Inc., Ocean Spray Cranberries, Inc. and GreenStar Food Cooperative to investigate an issue of importance to the cooperative. Issues included member engagement and participation, leadership development, evaluation of member equity, cost structure, and marketing agreements.

During the semester long project students met virtually with their co-op contact. At the end of the semester they completed a final report and presented their findings to the class. Cooperative leaders attended the presentations. Students applied the knowledge they learned in the classroom to real-world issues facing cooperatives.

With appreciation & gratitude.....

We thank those cooperatives and their representatives for their time and dedication to the class projects. Students said it was the highlight of their semester. These projects were affiliated with Engaged Cornell whose purpose is to “effect positive change through community-engaged work.” We now seeking projects for spring 2019. Please contact us.

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