

Seeds of Renewal
A New Wave of Co-op Development
in Canadian Agriculture –
Co-op Profiles





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Table of Contents

Introduction	2
British Columbia	4
BC Grain Producers Association	4
Fraser-Fort George Biofuels Working Group	5
Kakwa Ecovillage Co-operative	6
Novelty Grains and Pulses Co-op	7
Local Flavours Products and Services Co-operative	8
Vancouver Island Good Food Business Network	9
Saskatchewan	12
Cypress Biofuels Co-operative	12
Craik Small-Scale Bioproducts Co-operative	13
Nipawin Biomass Ethanol Co-operative	14
Western Mature Cow Alliance	15
Naicam Biodiesel Co-op Project	16
Manitoba	18
Southern Manitoba Biofuels Co-operative	18
Parkland Industrial Hemp Growers Co-operative	20
Parkland Ethanol Co-operative	21
Parkland Biodiesel Co-operative	22
Manitoba Organic Milk Co-op	23
Manitoba Organic Marketplace Trade Association (MOMA Trade)	24
Manitoba Organic Marketplace Association Feeder Pool (MOMA Feeder)	25
Ontario	26
Canadian Sweet Potato Ethanol Alliance Co-operative	26
Power Up Renewable Energy Co-op	27
River Run Milling Co-op	29
Quinte Organic Farmers Co-operative	30
Québec	33
La Coop des Bois-Francs	33
Prince Edward Island	35
PEI Organic Farmer-Citizen Co-operative	35
Newfoundland and Labrador	36
The Blueberry Industry Co-operative	36



Introduction

This document profiles 25 new agricultural co-operatives that were supported by the Agricultural Co-operative Development Initiative in 2006–2007.

In the summer of 2006, Agriculture and Agri-Food Canada made a commitment of \$1 million to support the development of farmer-owned co-operatives in biofuels and other value-added agricultural ventures.

The Agricultural Co-operative Development Initiative (Ag-CDI) was launched in September 2006 as a partnership between the two national co-op associations – the Canadian Co-operative Association and the Conseil Canadien de la Coopération – and the Co-operatives Secretariat of the Government of Canada.

The program had three key aims:

- To provide technical assistance support to developing co-ops
- To create educational products to promote the use of co-ops in agriculture
- To help build capacity to support these co-operatives over the long term

A Groundswell of Community Action and Response

Since no one really knew the extent of new co-op development underway in Canadian agriculture, it was a surprise when twenty-seven co-ops responded to the call for applications to the Ag-CDI program, despite a very tight deadline. These were already existing groups exploring co-op solutions in their communities. They were at various stages of development, and all needed knowledgeable advice and assistance to get their projects off the ground successfully.


Ag-CDI was able to assist these co-ops with funding support for specialist advisory services, links to information and expertise, creation of peer support networks, and a chance to network and learn at the Ag-CDI end-of-program conference, held in Ottawa, March 2007.

Throughout the seven-month program, it became clear that these new co-ops represent a movement underway in rural Canada – where independent producers are aiming to regain some control in their industry. These co-op members refuse to give up on the family farm or their rural communities. They want to be part of the process of revitalization and renewal, to help create a sustainable future for rural Canada.

Co-ops have played an essential role in Canadian agriculture for over 100 years, emerging in two earlier waves of development – near the turn of the 20th century and again in the 1940s and 50s. There are more than 1,100 agricultural co-ops already serving thousands of producers in farm supply and in the processing and marketing of dairy, poultry, honey, fruit and other agricultural products.

Once again, we see a set of market conditions that favors the development of new co-operatives. In this case, the forces of globalization make it difficult for small and independent producers to compete with cheap food imports and to gain any marketing power in an industry controlled by fewer and larger global corporations.

Despite their current challenges, these producers see hope in new opportunities – such as the increasing consumer demand for local and organic food and a growing



interest in biofuels and other renewable energies. They are focused on solutions, and again they see the co-op model as the best tool available to them, providing a means to improve economic returns and to achieve collectively what they cannot achieve alone.

The co-ops that are part of the new wave of co-op development in Canada span the country from British Columbia to Newfoundland. They are engaged in a wide range of agricultural activity, including organic livestock, produce and milk, blueberry production, cattle processing and marketing, alpaca wool products, specialty grains and milling, and renewable energy solutions – both large and small-scale biofuel production, and the creation of methane and electricity from agricultural waste.

Our purpose

The stories that follow provide a brief glimpse into the efforts of Canadian producers to stake a place in their industry. There is also a view of the challenges they face in their efforts to get organized, to take effective ownership of their enterprises, and to raise the necessary capital to enter value-added processing activities.

We know that co-op development is a difficult process, especially in the early stages. These groups will require training and development support for some time yet, before they are fully established as successful businesses. However, this support is an investment worth making since it gives local people and communities the tools they need to help shape the future of rural Canada.

The management team of Ag-CDI was deeply honored to support these groups and to play a part in their process.

By cataloguing their stories and lessons learned, we hope we have provided both information and inspiration for other fledgling producer groups who wish to move into new markets through co-op business ventures.

Note: The information in these stories is accurate as of March 2007. We know there will be many changes because these co-ops are in a process of development.

British Columbia

British Columbia Grain Producers

Biofuel is more than a buzzword to a group of grain producers in the Peace River district of British Columbia. It's their hope for a viable rural economy.

"We have been thinking about how to add value to our canola for a few years now," says Irmgard Critcher, president of the BC Grain Producers Association (BCGPA). "Biofuel is the new buzzword and it comes at a perfect time for us. Peace River producers could supply grains and oilseeds not just to the food market, but for the energy market as well!"

Building on an interest in environmentally friendly fuel sources, the BCGPA formed a steering committee to investigate biofuel prospects for the Peace River region. The 12 members of the biofuel steering committee include directors from the BCGPA as well as other interested community members.

The committee has already completed a feasibility study, which was partly funded by Ag-CDI and the government of British Columbia. The group is in the research and planning stage now and looking into the construction of a regional biodiesel plant.

The feasibility study called for the construction of a 22.7 million-litre biodiesel plant, costing about \$22 million. According to Critcher, the plant would be one of "Canada's most environmentally friendly projects" because it would use a cold-press system for the canola, instead of the traditional chemical extraction process. The feasibility study also revealed that a regional biodiesel plant would significantly reduce fuel imports to the region and add tax revenue of \$1.5 million.

These statistics are impressive, but a business plan is still needed to lay out project logistics. The business plan will determine the nature of co-op investment in

the plant as well as legalities and technical considerations. Although a business plan is necessary, Critcher estimates it will cost \$400,000. The biofuel steering committee has applied to the federal Biofuels Opportunities for Producers Initiative (BOPI) for three-quarters of the funds to pay for the business plan and has raised the rest itself.

The final stages of the biofuel project will include an equity drive followed by plant construction. The committee hopes to draw members from BCGPA's 350 members. Critcher acknowledges that this may be difficult, because most farmers are hesitant about taking such risks. Convincing producers of the long-term benefits of biofuel will be the focal point of the equity drive.

Critcher is certain, however, that the biodiesel initiative will bring farm profits, green energy and community renewal to the region.



The project will greatly enhance farmer livelihoods as well as the rural economy, Critcher says. "American studies show that there is a 56 percent greater benefit to the local economy if there is local ownership in biofuel."

These widespread benefits, Critcher claims, are why the biofuel steering committee is so dedicated and determined to succeed in their ambitious project.

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Fraser-Fort George Biofuels Working Group

Location is one of many challenges faced by the Fraser-Fort George Biofuels Working Group, which was formed to establish sustainable fuel sources in the remote region of northern British Columbia.

Working group chairman Russ Purvis says, "We are isolated and face challenges locating adequate supplies of biodiesel."

But just as location is a challenge, it is also a driving force for the biofuels working group, says Purvis, who is also a member of Kakwa Ecovillage. "This is a long-term social enterprise. Biofuel development is important because our region is the key population and industrial centre for northern BC. This co-op is really focusing on regional sustainability."

The working group was started by a local chapter of the BC Sustainable Energy Association. Through continuing research and discussion, the association identified key regional issues and rallied around the concept of building a biodiesel plant. In response, Kakwa Ecovillage, local farmers, the municipality of Prince George, community groups and the regional university have joined forces to explore the establishment of a multi-stakeholder co-operative.

Co-op development is in its beginning stages and has benefited greatly from Ag-CDI funding. As Purvis says, "Ag-CDI happened at the right time and is helping the co-op take shape." With Ag-CDI funds, the founding committee held its first educational public meeting and established interactive online working groups to connect potential members. Through the Ag-CDI program, the working group has been in contact with similar biofuel projects in Ontario and Saskatchewan to exchange ideas and best practices.

"We are gathering information and sharing ideas," Purvis says. "A project like this takes long-term and careful planning." The group has concluded a pre-feasibility study to determine project logistics, such as the best feedstock for the biofuel plant and an action plan.

There are many obstacles ahead which include enlisting members, maintaining long-term interest and momentum, and ensuring that the project will be financially beneficial to producers.

At the same time, Purvis says, “There is a different kind of motivation moving biofuel groups along. We know we have to work together to create a sustainable fuel source for this region. Our motivations go well beyond purely economic justifications. Recognizing the availability of local fuel sources also promotes regional stability and, in the case of the consumption of biodiesel, improved local air quality.”



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Kakwa Ecovillage Co-operative

This northern BC co-operative is banking on a herd of alpaca to help build a self-sufficient farming community.

Located in a rural setting near McBride, in northeastern British Columbia, the Kakwa Ecovillage has formed a co-operative to undertake a range of value-added activities. That includes raising a herd of alpacas and manufacturing products from the alpaca wool. The co-op will then market the woolen products to regional farmer's markets and specialty and outdoor sports stores.

Ecovillage general manager and alpaca fibre producer Russ Purvis says: “Value-added agricultural products, education with a sustainability focus, and eco-tourism will comprise the three primary pillars of income-producing activity.” While alpaca wool/fibre production will remain at the heart of the project, the co-op is also developing community outreach programs, exploring organic produce for local markets and envisioning a llama trekking operation to attract outdoor enthusiasts.

Learning partnerships with the Alberta-based Canadian Camelid Fibre Co-op and Alberta's Natural Fibre Centre have helped the co-op to further its goals. These partnerships have provided the opportunity for joint research on alpaca and llama products, workshops on fibre production, and the development of co-marketing strategies. Ag-CDI funding has helped to cover off-site travel costs and to bring specialists to the ecovillage.

Ag-CDI funding also helped to secure experts and lawyers to assist in the financial and legal processes involved in developing a co-op. That process has not been an easy one. A big challenge has been developing a financing strategy that reflects the unique needs of the ecovillage. The 16 key co-op members are from the ecovillage itself, a role with great responsibility and investment, but in the long term the co-op hopes to invite investment from the surrounding area.

Purvis says: "It was a real challenge and a surprise that there aren't many attorneys in B.C. who have in-depth experience with co-ops." Finding the right support networks is integral to the co-op process, he says.

Purvis offers some advice to those starting a co-op: "Make sure you get a well-connected co-op developer. You need a lot of expertise and experience. Co-operatives are businesses, so a lot of the challenges revolve around legalities and financing. Any co-op that wants to be successful needs to be considered as a business. It all requires a lot of knowledge before jumping in."

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An ecovillage is a socially, economically, and ecologically sustainable intentional community

Novelty Grains and Pulses Co-op

The average Canadian will soon be able to eat like ancient Egyptian pharaohs if a specialty food co-operative in British Columbia gets its idea off the ground.

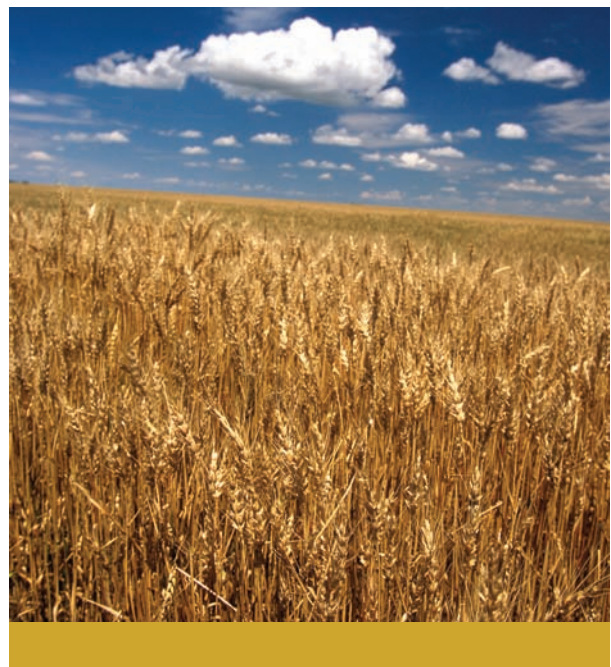
The Novelty Grain and Pulses Cooperative is developing a niche market for ancient food products, including emmer, a grain eaten by the pharaohs, and grasspeas, to name a few. (Emmer was the original wheat of the Egyptian pharaohs. It travelled to Italy after Julius Caesar's conquest of Egypt and is now part of that country's cuisine).

While these grains may not become a staple in every Canadian kitchen, Robert Giardino predicts they will penetrate the specialty market in the same way that kamut and spelt did 10 years ago.

Giardino, who is an importer and distributor of ancient grain, as well as the key proponent for the co-op, says: "The idea started because of problems with importing and supply of ancient seeds. There are issues with port accessibility, and with overseas differences in packaging and marketing." According to Giardino, "in the United States, farmers are starting to embrace and produce ancient grains, as there are markets in America which rely on imports. Canadian farmers need to get on board."

Currently the co-op is still in its initial planning and recruitment stages, and Giardino attributes Ag-CDI funding with the impetus to begin the project. The

funding came at the perfect moment, says Giardino. "The funds allowed us to hire a renowned co-op developer to conduct a pre-feasibility study; it also provided money for information sessions, where I introduce the products to potential growers."



Giardino hopes the co-op information sessions will bring producers on board from across the Western provinces. Giardino's agenda includes trips to Dawson Creek, BC, in the heart of grain country, and to Saskatchewan, to make presentations, display the products and, of course, provide taste tests.

The current co-op steering committee consists of producers from Saskatchewan and BC, and has been founded with the support and guidance of the BC and Saskatchewan co-operative associations. The co-op expects to incorporate federally to allow a wide variety of producers across the Western provinces to become involved.

"The first thing to do is to go to your provincial co-operative association and have an information session," Giardino says. "Map out the concept of the co-op and products beforehand and from that meeting get an idea of whether it is worth proceeding." Without the assistance

of the co-op associations, he thinks the process would have been much more difficult. Applying for funding is an arduous process, he says, and one that he wishes could be more transparent.

Overall, the last few months have been a solid beginning because there is a shared vision for development of the co-op. "Our co-operative development has been taken in stages," says Giardino. "The ultimate vision is a 'closed loop' system where wholesale, retail and packaging of ancient grains and pulses are all integrated."

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Local Flavours Co-op

"Do yourself a flavour!" proclaims the website of this BC co-operative, above a photograph brimming with ripe red tomatoes and other fresh, wholesome produce.

Co-op member Don Wilde explains: "It is important to develop the Local Flavours brand. We want to market directly to consumers because it is they who are calling for a different food policy: they want local, fresh, and safe food."

The formation of Local Flavours Products and Services Co-operative has its roots in the Small Scale Food Processor Association (SSFPA) of British Columbia. The SSFPA was established in early 2002 to provide support and services to small-scale food processors who were struggling to build their businesses. In 2004 association members chose the co-operative structure to share the cost of services and bring profits directly to producers.

The co-op will provide three main services to members. The primary focus is to develop a Local Flavours brand for collective marketing purposes. Co-op members can

either contribute raw produce or market their products under the established brand-name. Other co-op services will include quality-assurance programs, direct marketing strategies, and shared processing facilities. Ag-CDI funding recently enabled the Local Flavours Co-op to learn from the experience of an Ontario organic co-operative, with a specific focus on marketing and business development strategies.

Throughout the development stages, the co-op has created policies to ensure steady and manageable growth. Wilde says, "we decided to move slowly and methodically. We wanted to make sure our founding members fully understood the mandate and model of the co-op; and we wanted our services and programs growing at the same rate as the membership."

One of the key factors for success, according to Wilde, is balancing idealism about co-operatives with good business sense. This plays a role in marketing. "When we approach a retailer with the Local Flavours brand, the retailer needs to understand that the label incorporates many things. Consumers need to know where the product comes from." At the same time, "when marketing, it is important to focus on what the co-op provides rather than marketing the co-op values."

The balance between idealism and business also influences member objectives. "It is easy to get bogged down in idealism versus business, but co-op growth and the business plan need both perspectives," Wilde says. "This entails a lot of communication and everyone making democratic decisions." An open communication process and power-sharing are defining characteristics of the co-op business model.

As the co-op now prepares for its annual general meeting, Wilde is optimistic that the Local Flavours Co-op will soon move into the next stage. "We are meeting our objectives and moving forward. We have the basic planning completed, and now we need to move into the next phase of implementation."

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Vancouver Island Good Food Business Network (VIGFBN)

At any given moment, Vancouver Island has only two days' worth of food available for its population of about 770,000. Most of the island's food is grown elsewhere.

According to Barbara Ebell, owner of Nanoose Edibles Organic Farm and a long-time local activist, a larger local agriculture base would make the island much more self-sustaining. "In 1950, the island grew 85 percent of its own food. In 2007, we grow only 6 percent, with the rest being imported. Vancouver Island should be producing its own food."

In the last two years, some concerned citizens have united to reinvent the island's food economy. The hub of this regional collaboration is the Vancouver Island Good Food Business Network (VIGFBN), a consortium of community organizations, ethical food businesses and producers who want to promote a local, self-sufficient food system.

VIGFBN's business manager, Frank Moreland of Edible Strategies Enterprises Ltd., explains the momentum behind the project. "We have to take a systemic response to food insecurity and we need a sustainable food system for all island citizens. We will promote a 'values chain' that upholds the values of healthy food, low food miles and organic produce. In this new system, we will work on all levels – from seeds to production, from warehouse to delivery."

This new system will help island farmers to access local markets and earn a fair wage. Ebell explains that co-operation is necessary for producers. "We need to develop a co-operative network to share expertise, machinery,

markets and to grow larger amounts of food for island consumption. This will create sustainable rural communities for future generations."

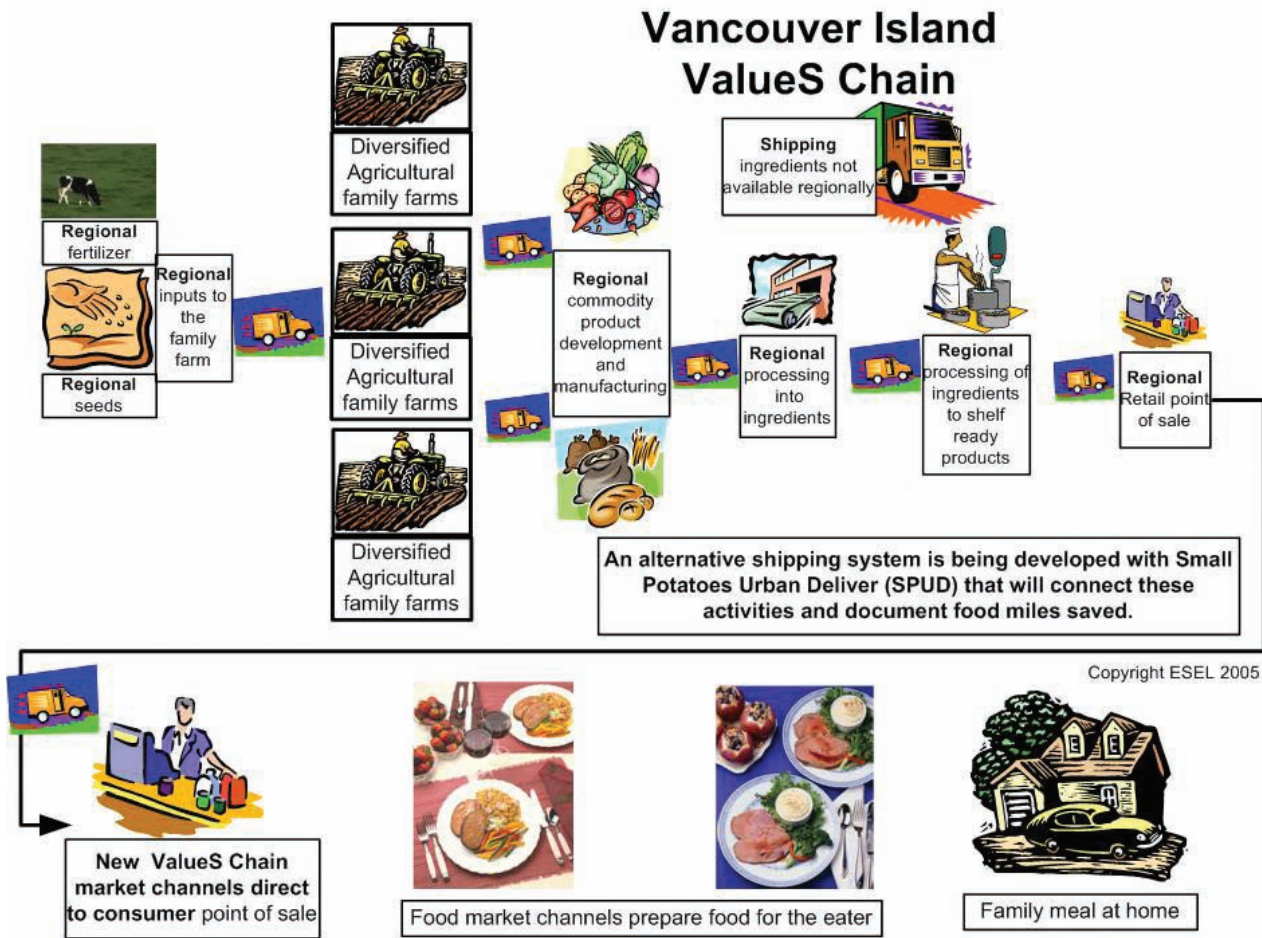
What makes this value chain unique is the role that farmers will take in the process. Moreland explains that farmers can be involved without shouldering the entire costs of the system. "The values chain will redistribute profits to farmers and food labourers, without these groups having to be the main stakeholders with the highest economic investment. This is our key strategy and there is no existing Canadian model for what we are doing."

VIGFBN's ambitious project is in the research and development stage, with all members working together to develop a long-term business plan. Members envision that the new food system will be an island-wide endeavour. It would include an overarching multi-stakeholder co-op

structure with each region creating its own farmer and worker co-operatives.

To ensure community control, all aspects of food production would be sourced locally. As Moreland puts it, the entire system will be integrated "from seeds to production, from warehouse to delivery." The network will also draw upon existing socio-economic infrastructure such as local delivery services, community co-packing facilities, and local markets. In the long term, VIGFBN envisions a system described in the diagram below.

This island network will succeed only with the commitment of all project partners. It has to be a process of power-sharing alongside solid planning. At first, the task seemed daunting. Marjorie Stewart of Nanaimo Foodshare says, "In the beginning, no one seemed to have the energy or inclination to take on the risk of an island-wide network.



Foodshare decided to take a lead agency role, which means we are the group who takes the key responsibility among equals."

Having one group acting as the legal lead agency has allowed the project to move forward. Foodshare is working in close collaboration with Edible Strategies to survey producers and island institutions about their interest in and commitment to a local food system.

This participant survey process is part of the community economic development approach VIGFBN has adopted. Stewart says, "We want to get people participating from the very beginning in the decision-making process. For us, sustainability means much more than having enough money."

To foster project sustainability, Foodshare has also held numerous community meetings. These public planning workshops allow the public to ask questions and make valuable contributions. VIGFBN promotes the brainstorming sessions as a space for participants to network and learn, thereby gaining something in return for their time and effort.

Enlisting farmers is now the central focus for VIGFBN and this may also be the network's biggest challenge. Moreland notes that nearly 30 island producers are interested in the network, but uncertain about whether or not to commit.

In the autumn of 2006, Foodshare and Edible Strategies approached Ebell and her husband, Lorne, to become involved in the project. Ebell realized that many of VIGFBN project goals were similar to her own:

"When I heard about the local co-operative initiative and the network, I realized that this was in the back of our minds all along. Farms in this region can't survive without a co-operative marketing strategy."

Ebell and other farm leaders are now spearheading producer involvement in the network development process. Through Ag-CDI funding, Ebell and other network members had a learning exchange with Co-op Atlantic. The Maritimes co-op is a similar initiative that promotes local food systems and works with producers at every stage of the food cycle.



By visiting Co-op Atlantic, VIGFBN members were able to see how a food values-chain works on the ground. This was invaluable, not only for co-op morale, but also for the practical considerations of how to build a solid co-operative network. Whether it is marketing, delivery or certification, the details will have to be managed locally, but fit within the larger goals of an integrated food system.

What it all really comes down to is whether producers, citizens and institutions can commit to buying locally. Ebell summarizes her long battle to create awareness about island food security, and her hopes that times are changing: "Project success really depends on how seriously people take local food self-sufficiency and create a market. But if it's going to happen, it will happen now because people are becoming aware of global warming. At my public presentations, everyone asks me, 'How can I help?' I tell them: 'Buy local.' "

In the end, VIGFBN partners realize that forming a multi-stakeholder co-operative will be difficult, but they agree that it is essential for food security on the island. It is this long-term ethical vision that will give the Vancouver Island Good Food Business Network the momentum to reach its goals.

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Saskatchewan

Cypress Biofuels Cooperative Ltd.

Tucked away in the southwest corner of Saskatchewan, the town of Shaunavon promotes itself as an oasis in the prairies.

But grain farmers in this rural community in the Cypress Hills region – like farmers across most of Canada – have been feeling thirsty of late, faced with rising prices and low cash crop sales.

A new project offers some hope for relief. Cypress Agri-Energy Inc. (CAE) is a local company that plans to construct an ethanol plant in the area to provide a local green-energy market for local grain products.

Grain producers have formed the Cypress Biofuels Co-op to partner with CAE. The co-op board includes both producers and local credit union officers, which, members hope, will be a good blend of expertise and skills.

Oren Scribner, a grain and pulses producer and chairman of the new co-op, says the co-operative approach offers many advantages. “The co-op allows us to form a business that partners with Cypress Agri-Energy Inc. without a large cost. It also gives us a tool to involve more producers in the ethanol industry, protect their interests, and give producers a guaranteed market for some of their production.”

The ethanol plant is one response to an insecure and faltering agricultural market. Scribner says: “We are a group of farmers and businessmen who see a need to have economic development in our region. Ethanol is a perfect fit because we are an agricultural and oil-based economy. And we have the necessary infrastructure.”

The plant is expected to use up to nine million bushels of grain a year and will sell the by-products back to cattle farmers in the area. “If the plant is as successful as projected, producers should realize a good return on investment and hopefully curb dependence on government programs,” Scribner says.

The group is now in the planning stage, consulting co-operative developers and legal experts – with the help of Ag-CDI funding – to ensure a successful project. “The Ag-CDI funding was used primarily to hire legal and other expertise,” Scribner says. “Some of the funds were also used to pay some expenses that CAE has incurred in setting up the co-op, including secretarial, photocopying and other office expenses.”

In the next few months, the co-op board will focus on feasibility of the project. Once that is established, the co-op will embark on a membership drive. It hopes to enlist about 300 members.

Even in the first stages, Scribner says that the co-op board members recognize the key points for success. “The biggest lesson is to take your time and do it right the first time; that is why we are taking our time and seeking people with expertise to guide us.”

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Craik Small-Scale BioProducts Co-operative

The rural community of Craik, in south-central Saskatchewan, has a reputation for pushing the boundaries of what is possible. Already famous for its Ecovillage and a YouthBuild eco-program, Craik has now started a small-scale biodiesel co-operative.

The co-operative is in an early stage of development, but Rod Haugerud, Craik's mayor and a founding member of the co-op, says, "We believe in the principles of co-operatives and want to institute them – one member, one vote – and sharing resources like machinery, purchases and labour. The farmers are already doing this, but we need a formalized legal and financial infrastructure."

The co-op has 10 members now, including producers, economic developers, technicians and municipal workers. Over the last few months a feasibility study has been looking at how and if farm-scale and community-scale biodiesel reactors can energize Craik's rural economy.

This research should answer important questions about the project, Haugerud says, such as how to develop quality control for the fuel produced, what is the best feedstock for the reactor, and how to match supply and demand. The study will also determine the most appropriate structure for the biodiesel co-operative. The group plans to conduct a larger membership drive when the feasibility study is completed.

The co-op used Ag-CDI funding to contact other biodiesel initiatives for advice on approach and best practices. Haugerud says: "We don't want to reinvent the wheel. This learning exchange has given us the opportunity to build knowledge and resources to construct our reactors. We don't want to repeat other people's mistakes."

However, Haugerud says, it is sometimes difficult to get people to share information about their operations. Biodiesel development is often treated as top secret, which creates barriers for groups entering the industry.

In fact, one of the long-term goals of Craik's biodiesel co-op is to develop its biodiesel reactors as demonstration models that can be replicated in other rural communities. The co-op plans to foster an educational mandate, while at the same time benefiting local farmers and the wider community.

Haugerud says any success in this endeavour will stem from the Craik co-op's approach to development. From the beginning, the members decided to take it slow, to think small-scale, and to conduct their research carefully. At the same time, they found experts they could trust.

Yet, overall, Haugerud says that the group's momentum has come from "the co-op spirit – that it's not for me, it's for us!" With this spirit pushing them forward, the co-op's goal is to establish on-farm test plots and start producing by this summer.

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Nipawin Biomass Ethanol New Generation Co-operative

Alison Halland, a third-generation producer of field crops and agroforestry, says his great uncle inspired him to become a founding director with Saskatchewan's Nipawin Biomass Ethanol New Generation Co-operative.

Years before, Halland's uncle had built a wood-gas generator based on a model he had used in Europe during the Second World War. That same generator has been used by the Halland family on their 1950 Ford farm truck for many years.

When the town of Nipawin approached Halland about producing ethanol using agroforestry waste, he saw some striking similarities to his uncle's old generator, and decided to join the multi-stakeholder initiative.

On a slightly grander scale, the Nipawin co-op plans to build a 75 million-litre-per-year ethanol plant using wood chips and flax straw as the primary biomass. Incorporated as a new-generation co-op in 2003, the group draws its nearly 140 members from local businesses, municipalities, farmers and First Nation communities. There are two classes of membership shares, which attract members from a variety of financial backgrounds.

Co-op members have already contributed enough capital to help commercialize the technology for the future plant. According to Halland, the co-operative has been partnering with the Saskatchewan Research Council and the University of Saskatchewan to build a catalyst technology. The result has been a jointly-owned process that transforms wood chips and flax straw into liquid fuel.

Halland explains the next step in co-op development: "Within the next two months, we will have a final report on materials needed for the plant. Then we will have to decide whether we need to raise money for the plant entirely through the co-op; if the co-op should consider a joint venture with another partner; or if the co-op should just sell the use of the catalyst technology."

During this decision-making process, Ag-CDI funding has helped pay for legal expertise on reissuing membership shares and protecting the interests of founding members. Halland says, "if we have to sell our technology to another company, we want to guarantee feedstock supply by our producers and bring employment to this area. We want to ensure that the original investors in the co-op are the prime benefactors of the project." The co-op has discussed its options with a corporate lawyer, and has approached businesses and engineering firms about capital investment.



According to Halland, the stages of co-operative development take plenty of time and effort. "A co-op takes a longer decision process. There are 12 of us on the board wanting to respect the members and trying to make the right decision. With that many people involved, it does take longer, but this is also a good thing because it makes us go slower and do things right." In the coming

months, this co-op will indeed be making many important decisions, and the one-share, one-vote structure will allow all players to have a say in the matter.

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Western Mature Cow Alliance

"Marketing is the Achilles' heel for cattle farmers," says Gary Etherington, who is a member of the Western Mature Cow Alliance, a co-operative currently under development by beef producers in Western Canada.

"We are trying to pull producers together to create a unified marketing board because doing what we've always done is no longer an option," says Etherington, who is also a member of Border Beef Inc., which includes producers in eastern Alberta and western Saskatchewan. Border Beef Inc. is co-operating with Natural Valley Farms, Great West Beef and Bison, and Manitoba's Natural Prairie Beef Inc. to create an alliance for producers of mature (30 months plus) cattle.

The cattle industry has been suffering since the BSE outbreak in 2003 and ensuing border struggles with the United States, Etherington says. "During the BSE crisis, we realized that we had given away our packing and slaughterhouse facilities to the United States. And in Canada, a very few businesses – Neilson Brothers, Cargill and Lakeside – have a stranglehold on the cow market."

These political and economic factors have made cattle a "predatory market," says Etherington, which results in "individual farmers selling cheaply to the market – which hurts everyone else in the chain."

Etherington and his partners agree that it is time that farmers are paid a fair price and this can be accomplished only through producer-owned marketing and processing facilities.

The Alliance used Ag-CDI funding to hire consultant Anne Anderson to facilitate the initial co-op meetings. Anderson comes from Ranchers Renaissance in Texas



and has been instructing co-op members on integrated value-chain development. During workshops and meetings over the last few months, founding members arrived at a shared vision and mandate. The co-op is now discussing organizational structure, legal terms and a plan of action.

Etherington says that it has been a learning curve for all members. Keeping these challenges in mind, the members all agreed on the need for transparency, trust and open communication between shareholders.

Developing producer peer groups may be one way to share information between members. Discussing production techniques and product differentiation, learning about cattle rearing and marketing strategies will all be part of the broader self-help aspect of the co-op. Etherington

envisions these peer groups as the keystones to the Western Mature Cow Alliance's success.

In the end, Etherington explains that the most important factor for the new co-operative is: "Go forward with a strong alliance. There is strength in numbers. Can we bring all our producers with us? Only time will tell. Organizing will prove a major challenge, but I'm optimistic. We'll win, but an individual won't win – it is extremely necessary to have a team approach."

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Naicam Biodiesel Co-op Project

Regan Crone remembers how the idea for a biodiesel plant got started in his rural Saskatchewan community of Naicam. "I was working at Naicam's local CMI grain terminal, and we were always talking about setting up a local biodiesel facility."

According to the young producer, who has 4,500 acres of feed crops under his belt, the town was in dire need of a solution to its dwindling population. "There are no jobs here. Everyone is leaving for Alberta or going to the cities. We realized we needed to expand our community – get an inflow of people rather than an outflow."

From those early discussions, a working group was formed and eventually the Naicam Biodiesel Co-op project came into being.

The interim board of directors consists of nine people, including canola producers, CMI Terminal employees, citizens of Naicam and local municipal representatives.





The group meets once a week and has hired a coordinator to spearhead the process. Though not yet incorporated, the board believes a new-generation co-operative will be the best structure for their multi-party investors.

In the long term, the Naicam Biodiesel Co-op envisions building a 100 million-litre biodiesel plant on the 60 acres of land beside the CMI Terminal. The terminal is a joint venture between local shareholders and Agricore United, and could provide the storage facilities for the plant's canola feedstock. There is a lot of promise, Crone says, because CMI Terminal supports building the plant, and the site already has an environmental assessment. However, there is a long way to go before plant construction can begin.

Crone says the group is still at the information-gathering stage, trying to “know as a group the best route to take,” and “trying to find potential investors to help with the project.”

Using Ag-CDI funding, the co-op coordinator has been gathering information, making contacts, going to regional co-op meetings and giving momentum to the general development agenda. Crone says: “At our stage, the biggest challenge is gathering information on biodiesel and touring a plant. Everything is top-secret and competitive, and none of the big plants will let farmers in to look.”

New co-ops desperately need more transparency of information as well as renewed government support, he says.

One of the biggest realizations he had in this process was how new the biofuel industry is in Canada. “The federal government needs to set up new structures, policies, mandates and start-up money for community-led biofuel projects. Developing this industry is tough without some guidelines,” Crone says.

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Manitoba

Southern Manitoba Biofuels Co-operative

The town of Souris in rural southwestern Manitoba is at the centre of a community project that promises to change the economic landscape. As Joy Dornian, the town's economic development officer, explains, the agricultural-based economy has long been in need of a boost.

"Souris is a community of 2,500. It is a town with old agricultural roots, which is slowly changing into a commuter and retirement town. What we've seen is that the jobs just aren't there; that there is no economic driver in place," Dornian says. "In the good years of agriculture, money flows freely, and the tax base is large, leading to solid infrastructure. When times are tough, it is difficult to plan a community."

But community leaders have been working to change that situation, she says. "Three years ago, members of the community banded together for a planning and visioning exercise and from that series of discussions emerged the word 'biodiesel.' As of now, the town's best and brightest option comes in the form of the Southern Manitoba Biofuels Co-operative."

Since its inception, the co-operative was oriented toward both community and economic development. Co-op members want to fuel the local economy by building a biodiesel plant in the region and they believe the plant will have far-reaching effects.

Dustin Williams, a local grain farmer and a founding member of the co-op, reflects on why this broader community goal is both necessary and beneficial: "On the large scale, the global price for commodities has made Canadian farm crops unprofitable. When our co-op was formed, canola was trading at its lowest prices. As well, we are landlocked in southern Manitoba, and freight is expensive, which makes it difficult to ship excess product overseas."

Williams explains, "The co-op's premise is to create a secure, local fuelstock for farmers and truckers, as

well as creating a market and plant dividends for local producers. It is important for us to help farmers, create employment and secure a larger tax base."

With these parameters in mind, a six-member working group of producers, municipal workers and local businesses began the co-op development process. The innovative nature of the project and the many stakeholders involved necessitated a unique approach.

In the beginning, the group considered whether to form a corporation or a co-operative. After much discussion, it decided a co-operative would be best. As Williams explains, the democratic values of a co-operative would best reflect the community nature of the project. As well, a co-op would allow for common ownership and avoid the threat of being bought out by one or two large investors.

In 2005, the community working group was incorporated as a new-generation co-operative. During its first two years, the co-op used the financial investment of dedicated local citizens to pay for a biofuel feasibility study. After incorporation, a partnership was formed with another regional organization, the Southwest Fibre Co-operative, which provided funds toward a business plan to explore what was needed to develop a future biofuel plant.

The business plan outlined a number of possibilities. Based on a survey of available sites in southwestern Manitoba and a list of specific criteria, a site was chosen near the town of Souris. The plan also estimated that the plant would produce a minimum yield of 9 million litres of fuel-grade biodiesel, 16,700 tonnes of canola protein meal, 946 tonnes of glycerol and 80 tonnes of fertilizer per year. The co-op hopes to benefit from the

work of provincial agriculture groups that are developing industrial-grade canola varieties.

Williams says there may be several other functions for the new plant. There is the possibility of selling fee-for-service agreements to farmers for use of the plant's canola expeller as a low-cost processing facility. As well, the canola meal by-product can be sold to local cattle producers and hog barns in the area.

The next few months will reveal whether the co-op vision can become a reality. Construction of a biofuel plant will cost nearly \$5 million and the co-op plans to raise \$3 million in equity shares. The rest of the financing would be secured through bank loans. The co-op is now leading a large-scale and concerted equity drive to raise capital from local farmers and community members.

The equity drive is a new venture for this group, and Dornian says it is much more work than they had envisioned: "If we could have looked ahead, the sheer logistics of running an equity drive is bigger than we imagined. It is important to keep track of follow-ups, budget and many other details. As well, the members of the co-op are very gung-ho, but we are often met with a very cautious response. Producers don't embrace change quickly – they need convincing."

During this stage, the co-op has used Ag-CDI funds to hire a speaker to discuss the procedure of equity drives, and pay for co-ordination, travelling, communication and material costs. Williams says: "All told, the Ag-CDI initiative has been a valuable tool in the creation of a co-operative business in our community."

The biofuel co-op has also risen to the challenge because of a solid co-op mandate, which was established from the very beginning. This mandate, Dornian says, is what provided consistency throughout the development process. It includes the following guidelines:

1. Local production for local consumption
2. Viable community development investment



3. Independence from government subsidies
4. State-of-the-art equipment and processes, and limited use of hazardous materials
5. Production of high-quality products

Collective planning is what makes co-operative development sustainable, as Williams points out: "We were adamant about making sure we had something to offer before we offered it; that we had answers to the questions and researched them; that we knew the challenges and how to mitigate the risks of these challenges. Out in the community we had to show our confidence to gain their confidence. This is what earns respect."

Keeping these values in mind, the co-op is progressing steadily along the development path. There is a lot of optimism and energy in the group, despite the challenges that lie ahead. As Dornian puts it, co-op members are not waiting for industry to approach them or for development to somehow materialize. Instead, she says, the co-op members are "investing in their own destiny." This perspective is what makes this southwestern Manitoba co-op a potentially viable contender in the biofuel industry.

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Parkland Industrial Hemp Growers Co-operative

Nearly half of Canada's industrial hemp crop comes from the Parkland Industrial Hemp Growers (PIHG) Co-operative. This Manitoba-based co-op has also established markets for hemp seed and grain in the global marketplace, from China to Germany.

Chris Dzisiak, hemp producer, and vice-president of PIHG, says the new-generation co-op was formed in 1999 to expand the market for area farmers.

"We wanted to move beyond selling canola to multinationals. We realized the need to do something different, so that's where hemp came in – the traditional crops are just not profitable."

Over the last few years, PIHG has bolstered the regional hemp industry through a series of ambitious projects. A plant breeding and seed program has been one of the co-op's successful initiatives. Dzisiak says, "industrial hemp is a controlled substance, so we breed and sell varieties suited to regions."

PIHG also plans to construct a biofibre plant in the Parkland region. The 50 members of the co-op are currently working hard to raise money for the \$14.5-million facility.

"The initial business plan, cash flow and seed stock has been established," Dzisiak says. "We've already raised over a million dollars toward construction, and farmers have committed to \$1.5 million in fibre." Still, there is a long way to go, with another \$2 million to be raised to meet current project deadlines.

In addition to raising capital, the co-op has been conducting research into plant operation. PIHG has used Ag-CDI funds to research the highest quality technology for

biofibre production. The size and capacity of the plant may make it one of the largest of its kind in the world and this calls for careful planning.

With these challenges ahead, PIHG is grateful for its competent and knowledgeable board of directors. The board has people who understand business and, more specifically, business in the Parkland region. None of PIHG's directors are paid, so it takes a lot of commitment, time and in-kind contribution. And, "if you don't have people committed to the project, nothing happens," Dzisiak says.

However, there are good, solid reasons for the commitment displayed by the PIHG board and members. "It is the struggles in agriculture that are making us do this," Dzisiak says. "To survive and make a profit, we want to control input costs, primary and secondary processes and therefore, we need to control the plant." In this stage of project development, long-term commitment is needed to reach PIHG goals.

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Parkland Ethanol Co-op

The Parkland Ethanol Co-op, in the southwestern Parkland region of Manitoba, was developed from the same initiative as its sister co-op, Parkland Biodiesel.

Its purpose is stated succinctly by Fred Embryk, a producer, former mayor of Grandview, Manitoba, and a founder of Parkland Agricultural Resource Co-operative (PARC).

"We need these industries for rural Manitoban communities to survive," says Embryk, who is also one of three directors working on the development of the new-generation ethanol co-op.

"We see the need to add value to our feed wheat as well as create a green energy source. Manitoba is furthest from the ports, which means very high freight costs. By having producers own 20 percent in an ethanol plant, we will get a fixed price for production as well as dividends from the production of ethanol. This will add value to feed wheat right here at home."

The envisioned ethanol plant will produce 150 million litres per year of ethanol and contract roughly 15 million bushels of feed wheat annually. The co-op plans also predict 24 megawatts of power to sell back to the hydro grid. The site has been developed and purchased on land between Grandview and Gilbert Plains, in a central position to local markets.

The co-op has signed a memorandum of understanding with an investor firm and is now finalizing a disclosure agreement and business plan. When asked about the decision to partner with a large investor, Embryk says, "With a project this size that will benefit so many others, the costs shouldn't just be taken on by the farmers."

In the long term, the co-op hopes to have a larger share in the plant, but at the moment 20 percent producer ownership translates into a feasible amount of capital to contribute.



Plans are moving forward. "We are fairly close to schedule," says Embryk. "This week we hope to select and hire an engineering firm to begin construction plans. In the next month, we are launching our membership drive." This membership drive should be a success because "the enthusiasm of producers in the Parkland region is very high. They are anxious to get going and find local markets for wheat and canola," Embryk says. At the same time, he says, because of the substantial risk involved, some farmers "want to wait until the shovel is in the ground."

Embryk says a close-knit group, with representation from all regions, is needed to push co-op development forward and manage the risks involved. As well, he says that for the long-term sustainability of the project, younger producers must be actively involved.

Meanwhile, hopes are high in Grandview, Manitoba that this project is a step forward for farmers.

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Parkland Biodiesel Co-op

Art Potoroka doesn't pull any punches when he talks about the state of farming in Canada today.

"Farming today is not a viable business. What we've been doing for a hundred years in Canada is no longer working. We need to stop and figure out a new way. Instead of getting yet another off-farm job, we need to promote biofuel as a localized off-farm investment! Producers need to build their own co-ops and companies and profit from that."

Potoroka is a grain, hemp and borage farmer in the Parkland region of Manitoba. Potoroka is also reeve of the rural municipality of Ethelbert and was involved in starting the Parkland Agricultural Resource Co-operative (PARC).

PARC was formed five years ago by nine municipalities to work co-operatively as a region to add value to available resources, particularly agriculture and forestry. The municipalities of PARC have developed a unique all-commercial tax-sharing agreement whereby, regardless of where an industry decides to locate, all the municipalities reap the benefits co-operatively. From this PARC initiative, the Parkland Biodiesel Cooperative was formed.

In February 2005, the co-op conducted a feasibility study on building a biodiesel plant in the area. Based on this study, the vertically integrated plant would produce 120 million litres of fuel and gain a competitive advantage with an on-site canola crusher.

Potoroka explains that the main barrier to plant development is a lack of investment pool in rural communities. Depopulation in rural communities has created challenges in raising enough capital among co-op members. Financial institutions in Canada are also hesitant to fund capital projects, because they are unique and perceived as risky. In addition, Potoroka says that government does not have the necessary support programs in place.

As a result, the co-op has been seeking outside investors for the project. Based on a current memorandum of understanding with a partner investor company, the farmers will own 20 percent of shares in the plant, while the company will own 80 percent. In addition, the farmers



will request a contractual commitment of 40 percent feedstock at a set price and have a seat on the plant's board of directors. Finding investors to develop this project provides the communities with a hand up – not a handout through government farm subsidies.

At this stage, the Parkland Biodiesel Co-op is working to increase its membership to fulfil shareholder obligations. Ag-CDI funding has helped with legalities to enable the membership drive and run workshops to inform area producers about co-op benefits. Potoroka says the biggest challenge in the process has been enlisting farmers to take the risk to lock in production at a fixed price, which is above the normal cost of production.

In light of all of this, Potoroka remains cautiously optimistic: "Biofuels will change agriculture forever. It will upset the equilibrium and a period of readjustment is coming. How the producer will end up in this is very interesting to consider."

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Manitoba Organic Milk Co-op

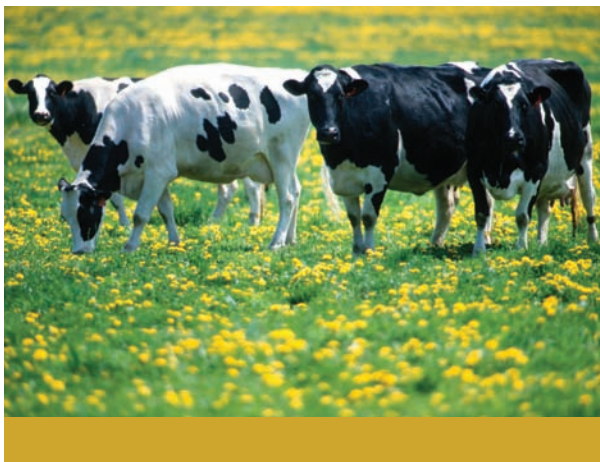
An organic milk producers' co-operative in Manitoba has big plans – to change its industry to make it more environmentally viable.

According to members of the Manitoba Organic Milk Co-op (MOM), a provincial organic dairy network is both an economic and an environmental necessity.

Susan Black, organic dairy producer and co-op member, says: "The North American organic milk production and marketing network is underdeveloped. For instance, an organic milk co-operative in Ontario (OntarBio) makes deliveries to British Columbia. That leads to very high food miles, freshness issues and at times an inability to keep up with consumer preferences and demand."

MOM's first step in addressing these issues has been to develop an action plan. Black says: "We are developing our vision statement. We want a system for the long term. We want it to be farmer directed and to work with processors who have a long-term commitment to Manitoba."

As Black points out, part of the process involves co-op members getting to know one another. "We six farmers didn't know each other and had different perspectives. It takes time to develop a shared vision."



With the help of Ag-CDI funding, co-op members have clarified the organizational mandate, conducted a pre-feasibility study and engaged in learning exchanges with co-ops in eastern Canada. Perhaps most important, Ag-CDI funds have allowed for meetings between members who are widely dispersed over the province. This face-to-face connection has allowed the group to build trust as well as business strategies. Throughout these activities, MOM has enlisted a valuable support team of co-op developers, lawyers and homeopathic vets.

In the long term, the co-op plans to develop a pro-Manitoba marketing and processing system. MOM's vision includes an innovative partnership with the successful Ontario dairy co-op, OntarBio which brands under the name of Organic Meadow. The two co-ops hope this partnership will minimize freight costs and maximize the alternative dairy value-chain. MOM, with the help of a lawyer, is discussing legal and business options with the OntarBio representatives.

MOM has learned some valuable lessons in these early stages of development. Most important of all, says Black, is to find a good co-op developer and use all available networks and resources.

But despite the many challenges the co-op still faces, Black feels positive about the future. "We've been in a very fortunate position. It's kind of like an apple pie issue, where everyone thinks it's a good idea. We've really received incredible support."

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Manitoba Organic Marketplace Association Trade Pool

The Manitoba Organic Marketplace Association Trade Pool (MOMA Trade) has a mandate to develop the organic industry in the province.

Its goal is to “have one sales voice rather than one hundred, which will lead to a better price for farmers.” MOMA Trade was spearheaded in 2004 by five organic farmers, and since then its membership has expanded to 30 members across the province.

Currently, MOMA Trade’s focus is on marketing value-added organic beef, with a long-term vision of attracting members from other agricultural sectors. This multi-sector approach is intended to help foster business partnerships between co-op members, such as sourcing organic grains for cattle. For Edward Hodgins, president of MOMA Trade, these producer networks are vital to agricultural sustainability.

Hodgins says farmers should become involved in these early stages of Manitoba organics because “in the conventional system, the price of cattle, for example, is dictated by the packer. Organic beef would be sold well below the cost of production if sold in the old system.” Hodgins explains that Manitoban organic cattle producers still sell their naturally raised cattle on the traditional market just to make ends meet. MOMA Trade hopes to change this practice by promoting an alternative system.

The co-op is working on the infrastructure for a new marketing system. One strategy is to link members into a unified sales voice through the Internet. MOMA Trade is creating an informational website, as well as an online sales database.

The new website will provide education for co-op members and connect them across the long prairie distances, removing one obstacle to co-op solidarity. The online sales database will work to coordinate market supply and demand. According to Hodgins, producers can put information about their cattle directly into the database and co-op sales personnel can then provide this information to market contacts.

Above and beyond the coordination and logistics of this large-scale project, Hodgins says “there are challenges with beginning this producer-to-buyer approach of marketing. It goes against the traditional flow and there is really no one to provide a model of how this type of co-op works. It all takes time and effort.”

One of the key lessons for MOMA Trade, says Hodgins, is learning how long the organizing takes in the co-op development process.

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Manitoba Organic Marketplace Association Feeder Pool

The organic beef industry has boomed recently. And that booming business has caught some organic beef producers off guard.

Kate Storey, a Manitoba cattle producer, says: "It is rewarding to see a growing market. Before, we organic producers were so marginal and now, all of a sudden, everyone's interested!"

But Storey, who is also a board member of the Manitoba Organic Marketplace Association Feeder co-operative (MOMA Feeder), says the increase in demand has placed a strain on production. "We could wait a few years to build up the organic sector, but we need to speed up because there is a great consumer demand for organic meat in Manitoba."

In response to this demand, the MOMA Trade co-op, formed to develop the organic industry in Manitoba, decided to help launch an affiliated co-op, MOMA Feeder. The co-op focuses solely on securing and processing capital loans for co-op members. By acting collectively through the co-op, organic cattle farmers have better access to capital than if they approach financial institutions individually.

The two co-ops, both MOMA Trade and MOMA Feeder, are working together to improve the organic marketing system in Manitoba. The overall goal is to maintain and add value to cattle and other products within the organic system. This means MOMA Feeder members will work on raising the cattle from calf to "finished" animal rather than selling out on the conventional beef market. However, Storey notes, adding value to organic cattle takes time and money, which farmers often cannot access.

While MOMA Feeder is modelled on existing provincial organizations, there have been some important modifications. Storey says most Manitoba feeder organizations were designed for conventional farming and do not work for organic methods of production.

Storey explains: "We are trying to fit organics into existing agricultural processes. For example, the bank loans for feeder associations are designed to last a year, where the farmer buys in, uses the loan, sells the animal and pays it back. But in the organic system, where we don't use growth hormones, animals grow more slowly. So, how can we fit into this system and where do we need to change it?"

These logistics are being discussed as the co-op selects its board of directors and prepares its bylaws and mandate. Storey notes that Ag-CDI funding has been helpful in this development stage for hiring consultants to assist with feasibility and market studies. As well, the funding has helped to train board members in boardroom procedure and policies.

Most important, Ag-CDI funds have helped pay for board meetings to happen in the first place. "Our biggest challenge is distance. Most feeder associations are in the same area, but our organic growers are spread over the entire province. Getting together as a board has been expensive and time consuming."

Despite the barriers of distance, Storey says a strong board is important to move a co-op forward. In the coming months, MOMA Feeder's new five-member board will hire a supervisor to approach farmers and introduce the co-operative concept. Through education and outreach, the co-op hopes to extend its reach across the province.

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Ontario

Canadian Sweet Potato Ethanol Alliance Co-op

Over the past decade, the southwestern Ontario “sand-lands” have seen drastic changes. The bustling tobacco industry, from which many farmers once made their fortunes, is now in steady decline. While there were nearly 4,000 tobacco growers in the region in the 1970s, today only a few hundred farmers remain.

Several factors have brought about the change in the region’s agricultural economy. Large tobacco manufacturers are now importing cheaper tobacco products from abroad. The federal government has implemented strict health and safety standards for tobacco farms regarding use of pesticides and other practices and an increased focus on health has meant fewer smokers and less demand for tobacco. This is good news in terms of public health, but farmers and rural communities face an uncertain future.

Berry Murray is a former tobacco farmer with an MBA, some experience in the insurance business and a penchant for visionary thinking. He says farm families in the region are struggling: “There are lots of social problems that go along with our depressed farming sector. Norfolk County, for instance, has seen a higher rate of abuse and spikes in suicide among farmers because of the hardships. Our social services are taxed to the limit.”

The faltering agricultural sector has also jeopardized community sustainability in southwestern Ontario. Murray points out that “the community can support the tax base only when agriculture is viable. Our faltering agricultural industry means an eroding tax base, land-holds in jeopardy and all the young people leaving for the city.” These issues are common for rural areas across Canada, but the process has been accelerated in Ontario’s former tobacco belt.

Murray isn’t content to watch his community collapse around him. He has been searching for economic alternatives. “If you only have a buy-out program for tobacco,

it doesn’t benefit the broader community,” he says. “If we can make a turnaround by introducing viable agriculture, we can help the area farm dealer, insurance agent, shopkeepers and, of course, the farmers.”

That’s how the Canadian Sweet Potato Ethanol Alliance (CSEA) was born. Murray, with a group of other local farmers, have established the CSEA co-operative that plans to build a sweet potato market in southwestern Ontario and a 150-million litre ethanol plant to convert sweet potato waste products into biofuel.

Murray says that CSEA’s main goal is to create opportunities for local farmers: “With the tobacco exit strategy, a lot of farms are going idle. Local farmers can grow sweet potato crops, the ethanol plant will buy the waste, and we can market the rest.”

Murray says the market potential for sweet potatoes is strong in the region. “We are in the ideal conditions to grow sweet potatoes and in the heart of the major markets. As well, the sweet potato supply is trucked in from the southern United States. We could create local agricultural sustainability here in Canada.”

CSEA’s long-term business plan, as a new-generation co-op, includes two main phases of implementation. The first phase is construction of an anaerobic digester, which will produce up to 10 megawatts of green energy for the Ontario energy grid; the second phase will be the construction of the sweet potato ethanol plant. The plant will be located in Tillsonburg, which is a central location for the surrounding tobacco-belt counties.

Throughout the construction of these facilities, CSEA will develop the market for both edible and industrial sweet potatoes in Ontario. Two years of research, a 15-member advisory board, and a long-term feasibility study ensure the project will be built on a firm foundation.

Currently, CSEA is determining the degree of farmer investment needed in the ethanol facilities. SPEC, a private energy company of technology providers, has become a key player in the plant's construction plans. Joint ownership between SPEC and CSEA seems the most feasible plan, which means co-op members must raise enough capital to cover their share of construction costs. CSEA has now begun an equity drive to raise the necessary funds.

Ag-CDI funding has covered material, communication and travel costs. Murray says Ag-CDI has provided money and resources at a crucial juncture for the co-op. "The attitudes of the people working in the Ag-CDI program are more of what we need. They are enthused about creating assistance for beginning co-ops. We need this, otherwise co-operatives will stagnate and the success stories will become fewer."

Ag-CDI assistance, however, is only one step on a long journey. Murray says farmers will profit from biofuel

only if government plays a larger role. "If taxpayers and government want to level the playing field for community involvement in the green energy sector, we need government intervention, and we need help with the start-up costs. If there are no changes to biofuel policy and support, only the large multinationals will benefit."

To promote government intervention, CSEA plans to lobby and speak up for farmer's interests. The novelty of the biofuel industry provides an opportune moment for farmers, Murray says. And he doesn't want farmers to miss the opportunity.

"This is possibly a paradigm shift in how we view agriculture in Canada," Murrays says. "If we miss it, we will miss one of the best opportunities to turn agriculture around in the history of the country. We need policy, and we need support!"

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Power-Up Renewable Energy Co-operative (PURE)

The PURE co-op has joined forces with Everdale Organic Farm and Environmental Learning Centre to develop farm-scale biodiesel production in their southern Ontario region and to produce a model that can be copied by other rural communities. The name of the new co-op venture is EverPURE

The partners have set a clear goal: "Hand in hand with the development of proficiency in biodiesel production, we will develop a viable business model to demonstrate how a co-op, whose practices are exemplary from an environmental standpoint, can benefit a group of local oilseed growers and others in the community who come together to form, own and operate the co-op."

Although the partners are in the feasibility stages of co-op development, the project is well on its way. There are already two working small-scale biodiesel reactors at Everdale and there is keen public interest in the project. The group is also working closely with the University of Guelph to explore affordable quality-control tests and the possibility of recycling used vegetable oil into a fuel source.



PURE co-op president Richard Procter views continuing research as vital to the success of the co-op. Over the last few months, the project partners have been conducting an Ag-CDI-funded study of four similar co-ops in the United States and Canada. The final report will be the foundation for a membership drive.

Jay Mowat, a board director from Everdale Farm, says: "The concept of small-producer co-ops isn't very developed in Ontario and information about biodiesel is lacking in Canada. We have approached 10 to 15 area farmers who are interested in joining the co-op. But our current research needs to address the producer's questions."

Mowat and Procter agree that the key challenge for co-op development is general lack of information. The partnership between Everdale and PURE will be invaluable in this respect because both organizations have well-developed outreach strategies and member networks. Through a concerted effort, the partners hope to secure a small but committed group of members.

When asked what Everdale and PURE have learned in their development process, Procter says: "Keep it small-scale and build it up. Go slowly. You need a community that has a spirit and visionary thinking for this kind of project. And you need dedicated people in for the long haul – especially people who have been through similar co-operative economic ventures."

It is very important to understand what a core group of volunteers can accomplish."

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River Run Milling Co-operative

A flour milling co-operative will give local farmers more control over their livelihoods, says Gord Meredith, a farmer, miller and founding member of the River Run Milling Co-operative in southern Ontario.

Meredith says the co-operative “will provide farmer members with the opportunity to gain more control over the crops they grow, how they grow them and the value they receive for their commodities.”

Along with Meredith, other founding members of the co-op are Glenn Brethet, a farmer in Tottenham, and Greg Harriot, founder and owner of Hempola Valley in Barrie, Ontario.

The River Run Milling Co-op plans to build the milling facility in either the town of Scugog or Uxbridge. The facility will provide quality milling services and will supply conventional and organic markets with grain flours, as well as unique flours made from asparagus, other vegetables and fruits. The co-op will also work to secure markets for the finished flour products that will return patronage dividends to producer-members.

As Meredith explains: “When we export food, it has to move beyond just the raw product, into flour and a finished product ready for the shelves. Nowadays, that’s where the money is for farmers.”

In addition to the economic benefits, the co-op will also be environmentally friendly, says Meredith. “We want zero waste from the facility. We can turn every part of the grain into a product for human consumption.”

Meredith says the co-op also plans to build a nutritional science laboratory on-site. This lab will act as a grinding test facility for all types of agricultural produce. “Our long-term vision is to have these farmer-owned co-ops replicated right across the country, and not only owning the mills, but also owning bakeries and possibly retail outlets.”

Meredith sees promise in creating these niche markets. It is an ambitious goal, but one with broader implications, he says. “Another reason for this co-op is to create more



jobs in the agricultural sector and create and maintain more wealth in farm communities, so the younger generation will take an interest in farming again and want to do it with pride.”

The development process for River Run Milling Co-op will be long and arduous, with some of the key challenges being a farming community that is skeptical about working against corporate milling companies. With communication and information and the help of Ag-CDI-sponsored co-op developer Russ Christianson, Meredith hopes he and other members can persuade fellow farmers to join the co-op.

When asked what he would recommend to others beginning the co-op process, Meredith says: “Don’t give up! Don’t get discouraged. There will be roadblocks, but talk to someone, such as a good co-op developer, who can help find solutions. Start with a vision and then figure out how to meet that vision.”

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Quinte Organic Farmers Co-operative

"It makes sound sense for small organic farmers and growers to pool resources and achieve economies of scale. In doing so, farmers can expand the markets they reach and consumers are offered local, organic produce, which they could otherwise not access."

www.quinteorganic.ca

The Quinte Organic Farmers' Co-operative was born out of kitchen-table meetings, networking at organic food events and a shared vision.

As Achim Mohssen-Beyk, president of the Quinte co-op, relates, "The co-op began 3½ years ago. A group of farmers had gotten to know each other through the Ecological Farmers Association of Ontario. There were about ten of us certified organic producers living and working in the area between Ottawa and Toronto."

"As certified organic farmers, it was difficult to sell in our smaller communities because we wouldn't get the sales volume and the same premium for our produce as we would in the larger city markets. Geographic location was a real difficulty. We realized we needed to form a system to sell the products. If we created a pool, it might be more worthwhile than individual farmers going to Toronto separately or competing against each other at local farmers markets. We also wanted to establish education and advocacy work around organic production. We wanted a voice to represent certified organic farmers."

From those initial discussions, a group of 10 small-scale family farmers living across Prince Edward, Hastings and Northumberland counties decided to collaborate. The group met with a rural development officer from the Ontario Ministry of Agriculture and Rural Affairs in Belleville. She supported the co-op initiative and suggested various funding options. Through the Agricultural Adaptation Council's CanAdapt program and the Ontario Co-op Association, Quinte Organic Farmers' Cooperative began to develop its organization.

"Why did we choose a co-op format? At that time, we had 10 farmers and the main difficulty was how to work together with such different interests," says Mohssen-Beyk. "How could we avoid competition? The co-op principles and governance structure envisioned best how to deal with these issues."

Mohssen-Beyk looks back at the earliest stages of the co-op and acknowledges the help it received when deliberating over organizational structure. He credits co-op developer Russ Christiansen with providing excellent advice in the beginning months.

After the co-op's incorporation, the next stage involved logistics and implementation. How to sell, to whom and where? The farmers decided that they preferred the direct-marketing approach, which would enable the co-op to learn its customers' preferences through personal contact. Local farm markets were identified as the best arenas for these producer-consumer interactions. Located in Toronto, Belleville and Campbellford, these farm markets were the first phase of the co-op's marketing.

After the first season of experimenting, the co-op quickly hit its stride. Farmers decided to do their own marketing to keep the profits within the co-op. Each farm market is now being managed by a Quinte co-op member farmer.





At the beginning of each growing season, the producers meet and hear the recommendations from each co-op member who manages a farm market. The member/managers outline the market demands and the rest of the co-op members collaborate on what each farm will supply throughout the season. The co-op then commits to buying a certain amount of produce from the farmers, and the member/manager sells it at the market each week. This is Quinte co-op's very own grassroots supply management system.

This structure has many benefits, Mohssen-Beyk says. "First of all, we set the standard for superior quality right away and, because the co-op is a democratic entity, everything was optimized. The farm markets were high value because we learned to focus on niche products and this gave us specialty status at the organic markets."

There were other advantages, according to Mohssen-Beyk. "Before, the farmers would grow too much of the same produce and then have to dump it when it didn't sell. In the co-op, we are sharing the costs and risk of the markets. Because we are working at five different markets, with different representatives, the products get more selling space. Our sales are four to five times greater than individual marketing."

As of September 2006, the co-op had 13 members and a solid system of co-operation. However, co-op members realized they needed a strategy to promote year-round sales.

"By frequenting only the annual summer farm markets, we found that each year we had to re-establish our customer base because, during the winter, they had gone elsewhere for their organics," Mohssen-Beyk says.

"As well, only a couple of farm markets go year-round, and storing fresh produce costs money, so we had to ask, 'How can we extend the season without storing perishables and growing products that may not sell?'"

"We recognized that many of our customers prefer 'convenient' food such as butternut squash soup, mixed frozen veggies and prepared frozen food, so we began to ask ourselves: 'How can we add value to what we grow, and then process, package and market it to our customers?'"

The co-op is now working through the logistics of a value-added operation and it has isolated some of the variables in the process. This includes potential products, packaging options and finding the necessary processing and storage facilities. All of this is constantly mitigated by the need to ensure a steady supply-demand balance.



Mohssen-Beyk explains that Ag-CDI funding has been invaluable in this new stage of development. "We couldn't do it without Ag-CDI. The money has allowed us to hire Russ Christianson as our co-op advisor. It has also given us the opportunity to network and meet other provincial value-added groups such as ProOrganics and Ontario Natural Food Co-op. Through these learning exchanges, we now understand co-packing, processing and marketing options."

From salsa and preserves to soup, eggs and grain feed, the options are many and the planning is vital. Mohssen-Beyk admits it has been a longer and more involved process than he had originally imagined.

"Ag-CDI helped me realize that we needed to move beyond the singular co-op entity and network. We maxed out the knowledge of our members. Originally, I thought it would be very simple. Make it, bottle it and sell it. But this new value-added project showed we couldn't do everything alone."

Each new stage of co-op development is always a learning process and, as Mohssen-Beyk has realized, co-ops: "can't do everything alone." In the future, Quinte co-operators hope to develop partnerships with other Canadian co-ops



to share lessons, resources and support. This plan reveals the broader mandate of the group: "While focusing on member needs, co-operatives work for the sustainable development of their communities."

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Quebec

La Coop des Bois-Francs

The members and directors of La Coop des Bois-Francs are proud of their avant-garde organization. Co-op President Rémi Pelletier says: "In our region between Montreal and Québec City, we are leaders in sustainable development – which is what makes innovation possible."

Martin Plante, the co-operative's manager, adds: "Our board of directors is representative of the co-op members; it is made up of nine people, all producers. This leadership and democratic representation allows our co-op to exhibit efficiency in a very competitive economic environment. Part of the solution for farmers is to have a say within our difficult economic system."

Located for 30 years in Victoriaville, Quebec, the co-operative has a long-established and active presence in the town. The co-op's services include hardware stores, seed mills, and machinery and farm counselling

for producers. The co-op also provides gas stations and variety stores for its co-op members. With 900 producer members, 4,500 citizen members and a net worth of \$100 million, La Coop des Bois-Francs is definitely a business success story.

Part of the co-operative's success is related to its affiliation with Quebec's large and well-established La Coop fédérée. La Coop des Bois-Francs is a member of La Coop fédérée's umbrella organization and has benefited from its co-operative services.



Recently, La Coop des Bois-Francs moved into a new methane utilization venture and La Coop fédérée has been extremely helpful in this development. La Coop fédérée's developer Mario Hébert has given advice on how to structure the project and he has helped to find the appropriate expertise and other resources.

In the long term, the members of La Coop des Bois-Francs hope to build a methane plant that uses animal and municipal residues to create methane fuel and gasoline. This large-scale methane plant may be the first of its kind in Canada and promises many wide-ranging benefits. Both Plante and co-op member Josée Chicoin point out that the use of waste in methane transformation is very beneficial to the environment.

Plante says the federal government's Ag-CDI funding has been used in the first stage of the project to "make a survey of all existing methane technologies because the technologies needed are not available in North America. We also used the funds to compile data on manure sources, and inputs and outputs."

This planning stage, Plante says, will help the co-op to decide if the project is economically viable. Through careful research and partnership, La Coop des Bois-Francs hopes to create social, environmental and economic benefits both for its members and for the entire region.



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Prince Edward Island

PEI Organic Farmer-Citizen Co-operative

Prince Edward Island's Organic Farmer-Citizen Co-operative began with a letter to the editor of Charlottetown's weekly newspaper. In the letter, organic farmer Gary Clausheide suggested that farmers and community members unite to ensure a reliable market for fresh, organic produce grown on the island.

Inspired by an article he had read about community farm programs in Vermont, Clausheide saw similar possibilities for PEI producers. "The Island definitely has the potential to feed itself. It is the one million-acre garden!"

Clausheide's letter to the editor garnered significant public interest and the first general meeting took place in the fall of 2006.

Since then, a schedule of monthly meetings and a steering committee has been established. The steering committee, consisting of both farmers and local citizens, is working on incorporation procedures and finalizing the co-op objectives. The overall goals of the co-op, Clausheide says, are "to directly link local small-scale producers to people who want better access to local organic food. We want to build a self-reliant community and local economy."

To reach these goals, the group plans to build a co-op facility near Charlottetown. The facility will sell fresh produce and value-added products, providing island farmers and citizens with an organic marketplace throughout the year. In the long term, Clausheide says, the co-op hopes to incorporate a restaurant and bakery, and to develop a complete on-site processing operation.

Clausheide points out that the Ag-CDI Learning Exchange fund allowed four representatives of the co-op to travel to the Guelph Organic Conference. While at the conference, the members learned from and networked with similar Canadian ventures. In particular, the co-op members were delighted to meet the Growing Circle Food Cooperative from Salt Spring Island, BC. Clausheide says: "We are

hoping to arrange a conference call with the Growing Circle Co-op. By talking with them further, we will learn the successes, the challenges and the concerns they faced, and more about the processes that worked for them."

Clausheide is realistic, and acknowledges there are still many milestones in the PEI Organic Farmer-Citizen Co-op development process. Reaching a consensus about the co-op vision with the roughly 30 regular participants at meetings has been an arduous process. There are also practical considerations, such as finding a site, designing an ecologically friendly facility and project construction costs.

However, public interest has been piqued, and this new co-op is growing and working hard to translate vision into practice.

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Newfoundland and Labrador

Blueberry Industry Co-operative

Newfoundland's blueberry industry is getting an overhaul, thanks to the efforts of the recently formed Blueberry Industry Co-operative.

The co-operative consists of 10 blueberry farmers who hope to carve their own niche in the fresh blueberry market by sharing equipment, knowledge, and marketing costs.

Martin Walsh, a co-op director and blueberry producer, says: "Right now, farmers who sell their blueberries to processors aren't getting paid the cost to operate. We can't make a decent living. But through a co-operative, it can be done."

The blueberry co-op began nearly five years ago, in a slightly different form. The Blueberry Development Corporation, as it was then called, was formed by a consortium of economic development zones across the province.



Lloyd Colbourne, who wears many hats, including Emerald Economic Zone Committee member, blueberry co-op director, and blueberry producer, says: "We needed options because there is a mass migration of people from Newfoundland due to the lack of jobs."

The Blueberry Development Corporation conducted research and development into markets, test crops and other means of developing the blueberry industry.

In March 2006, the corporation became a co-operative. All assets, research and equipment became the property of the 10 farmers involved, who make up the majority of blueberry producers in Newfoundland. Now the co-op is holding a membership drive, encouraging new producers to grow blueberries and hiring a market specialist to identify potential consumers.

According to Colbourne, Ag-CDI funds have helped to educate producers about the benefits of belonging to a co-op. The education process is invaluable because, as Walsh says, producers "are used to doing their own thing."

In recent months, Colbourne has noticed some changes in producer perspective: "With a lot of education, the producers have come around to show more co-operation. Originally they didn't want to share trade secrets, but now they see the advantage of everyone working together."

Despite this heightened producer enthusiasm and the strength of a multi-stakeholder, co-operative model,

there are still challenges ahead for the co-op. One challenge that is unique to Newfoundland is obtaining agricultural land when over 70 percent of land is owned by large paper companies. This is a problem, Colbourne says, because the co-op needs to get more blueberry producers to meet consumer demands.

However, he says the 2007 growing season will still see fresh blueberries being marketed by the co-op. It will be a crop harvested by shared equipment, marketed through a unified board and promoting shared ideals.

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Other Resources Available From The Agricultural Co-operative Development Initiative (Ag-CDI)

- Video highlights of the Ag-CDI conference, March 2007 – a 30-minute inspirational view of the nature of co-op development underway in Canadian agriculture
- Speaker Presentations & Summary of Conference Proceedings
- A Guide to Starting a Biofuel Co-operative
- Case Studies of Biofuel Co-operatives
- Opportunities in Value-Added Agriculture – a collection of web-based resources
- Tools for Development of Value-Added Agricultural Co-operatives – a collection of web-based resources

Available as a DVD-CD Set – to order a free copy, contact the Canadian Co-operative Association.

Tel. 613-238-6711 or Toll-free 1-866-266-7677

E-mail: info@coopscanada.coop

Or Visit the Ag-CDI website – all of the above resources (except the video) are available at www.coopzone.coop/en/ag-cdi

