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Creating Co-op Fever: The Hard Lessons Learned



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I am also grateful for the many people who have sent me articles, books, stories and suggested readings since the 1998 publication. I am especially indebted to Audrey Malan of Dayton, Wyo., and Margaret Bau of Stevens Point, Wis., for their extraordinary efforts to share their learning with me.

What was “Co-op Fever?” In the time between Aug. 7, 1990, and July 1, 2006, I worked on more than 104 development projects. Out of that effort were created at least 30 enterprises that are currently in existence. Those 104 projects represent about \$800 million in total investment, of which \$300 million was equity. Those 30 enterprises now return several hundred million dollars per year in new revenue and employ several thousand workers.

So dramatic was this new enterprise creation that “Co-op Fever” was the 1995 Associated Press story of the year in North Dakota. Northern Plains Premium Beef Cooperative, which I led as CEO, was a cover story in the *Wall Street Journal* in March 1997. *Fortune Magazine* ran a story on Dakota Growers Pasta Co. and its board chairman, Jack Dalrymple, entitled, “Getting the Middleman’s Share.”

I made the cover of the *Rural Electric Magazine* with the story about preaching the co-op gospel. *Rural Cooperative Magazine* did a story, and *The Bismarck Tribune*

named me a “Notable North Dakotan” for my work in starting cooperatives.

In 1996 *The Forum* of Fargo editorialized that I should have sought the Democratic nomination for governor. The Democratic Party’s nominee was Lee Kaldor, who at the time was the chairman of my advisory board.

I estimate that of all enterprises launched, 50% of them met the Small Business Administration’s definition of success after five years. The survival rate of non-cooperative enterprises and sole proprietorships in North Dakota would likely be around 35%. I estimate that about \$60 million in farmers’ equity or investments were lost. Two projects alone contributed to \$50 million of those losses.

I believe providing tours of projects is a good way to encourage others to think of ways to create their own. I have hosted visiting delegations from Norway, Japan and Canada and have participated in presentations to visiting groups from several countries formerly in the Soviet Union. In 2003 I represented the United States at a cooperative conference in Iceland.

I also believe in participating in cooperative study tours and have been on such tours to Prince Edward Island, New Brunswick and Quebec.

I have provided technical assistance on how to do cooperative development to the states of Maine, Iowa, Kentucky, Missouri, Montana, Colorado and South Dakota and to the provinces of Manitoba, Saskatchewan and Alberta.

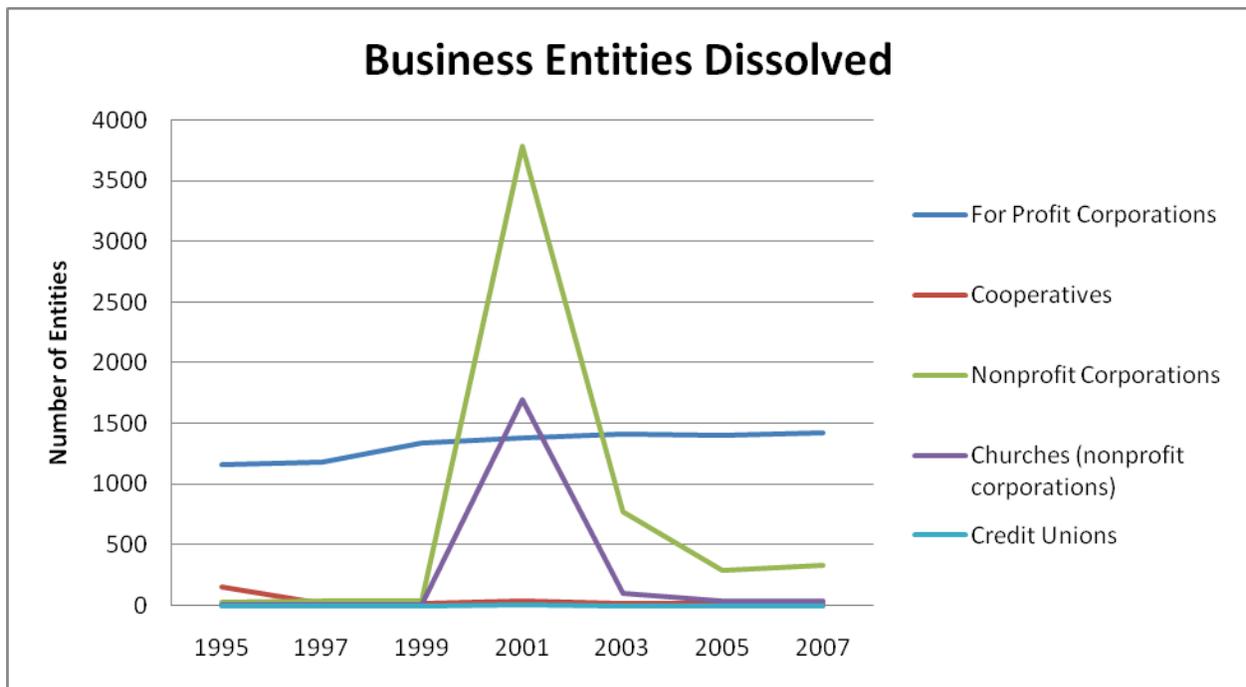
I have led or participated in learning circles focused on “The Fifth Discipline” by Peter Senge, “Good to Great” by Jim Collins,

“Turning to One Another” by Margaret Wheatley, “Appreciative Inquiry” by David Cooperrider, and many others. I consider myself very well read. Yet I speak to you today through a cloud of despair.

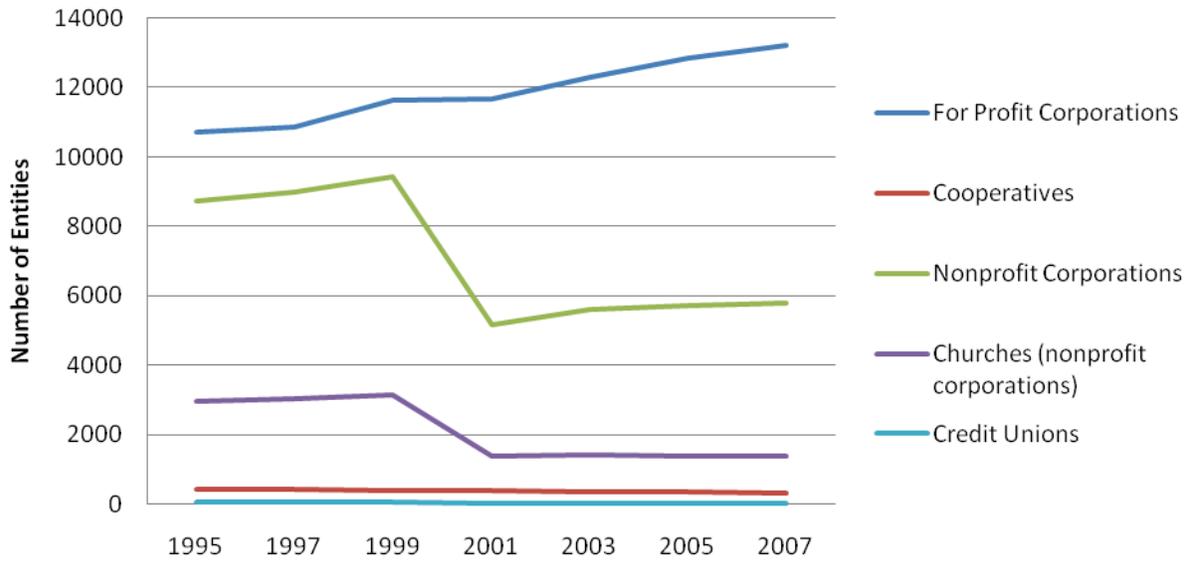
I would guess that if we had national numbers we would find that the number of cooperatives in America is declining. We would also see that the number of non-profits and the number of churches are

declining and that the number of for-profit enterprises is increasing.

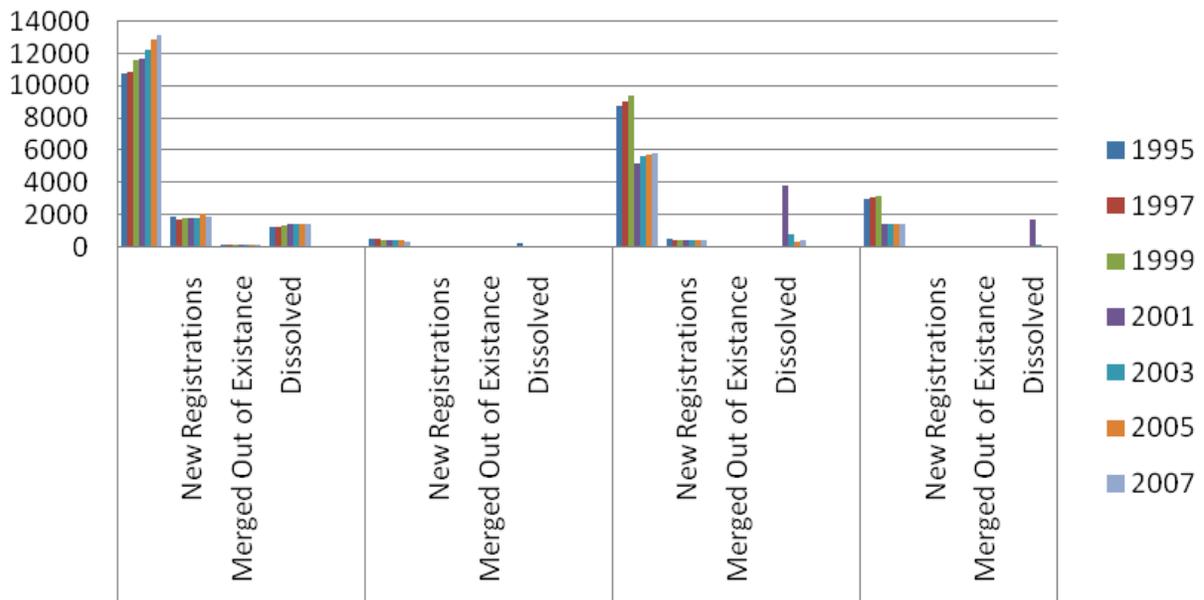
In spite of our best efforts, and in spite of “Co-op Fever” in North Dakota and Minnesota, we are burning up social capital, and failing to replace cooperatives that die with cooperatives that are being born. Here are the numbers from my home state of North Dakota:



North Dakota Business Entities



North Dakota Business Entity Statistics



Let me quote from Michael Regan in his book “The Administration of Public Policy:”

“It is probably natural for a person as he approaches sixty to believe that much of the world’s work has been fruitless, that one’s task is beyond the scope of reason’s capacities, and to feel a measure of despair. And to say along with Santayana: As it is we live experimentally, moodily, in the dark; each generation breaks its eggshell with the same haste and assurance as the last, pecks at the same indigestible pebbles, dreams the same dreams, or others just as absurd, and if it hears anything of what former men have learned by experience it corrects their maxims by its first impressions, and rushes down any untrodden path which it finds alluring, to die in its own way, or become wise too late and to no purpose”
—The Administration of Public Policy, Michael D. Regan, 1969, Scott, Foresman and Company, Glenview, Illinois 60025

Since I fit Regan’s demographic precisely, I am acutely aware of my own need to be listened to and, much like the ancient mariner in Samuel Coleridge’s poem by that title, I feel the need to grab your hand and make you listen to my horrific tale. So just listen for awhile to 14 lessons I have learned the hard way:

LESSON 1

■ *It is doubtful that you or others will learn very much from me—you just don’t feel like you have the time*

LESSON 2

■ *Cooperative behavior is instinctive in humans*

This means that you, as an educator or a developer, don’t need to trick people into cooperating. According to evolutionary psychologist Robert Kurzban, 13 percent of people have the cooperator gene. The 13 percent is a powerful number. To me, it is an encouraging number, larger than I thought. To some, it is a depressing number, much smaller than hoped for. I think you will find in the groups you are a

part of this number holds for leadership in parent/teacher associations, church groups, civic clubs, political organizations and charitable giving. If there ever was a cherished group to be a part of it would be the cooperator group.

Kurzban found that 63% of people generally fit the category of intolerant reciprocators. That means they follow the 13 percent, and they give in order to get. This 63 percent is the target group you are after—the 13 percent organize the enterprise and the 63% join. Keeping them in the organization is the challenge because they will stop cooperating if they feel they are being “free ridden.” To the non-cooperator, the word “free ridden” means being taken advantage of. As examples, a union organizes workers and negotiates a pay rise, which the non-union employees also get. Farmers organize a cooperative to create a better market for corn and non-co-op farmers get the same higher price at a competitor’s grain elevator.

Free riders want something for nothing. It is part of their personality and they make up 20 percent of any given population. They will cheat the insurance company, government, cooperative or even the church. They will give bail-out money as bonuses to executives who cause the company to fail.

Please heed this lesson—make sure that only the 13% (the cooperators) are on the board of directors and the general manager is from the 13 percent as well.

Make sure that the free riders are not ever members of the cooperative. Kurzban suggested that if a free rider does get into a cooperative, about the best way to deal with that member is to publically ridicule them for their selfish behavior. Design your

cooperative with absolute transparency—give the free riders no place to hide. Preserve and protect the 63% intolerant reciprocators; earn their trust and expect their honest patronage.

LESSON 3

■ *The mortal enemies of cooperatives are greed and deception*

While I was in Iceland I had dinner with a cooperative director who was planning a demutualization. His eyes were bright with greed, almost to a fever pitch. He had studied American cooperative demutualization strategies and was planning on following a similar model. He had calculated his personal payout. As you may know, the Icelandic economy has collapsed and at last count they had reduced the number of operating cooperatives to 50% of what that number once was. Greed hit Iceland.

The Apostle Paul, writing to Timothy, said that the love of money is the root of many evils. There is nothing wrong with appreciation for things that money can buy, like housing, food, education, good tools and even entertainment. But the love of money, for the power it can give you over others, to coerce, harass, belittle and control is a vile sickness and truly is evil.

Perhaps the darkest days of my life have followed the discovery of deception. Scott Peck, in his book “Children of the Lie,” refers to Satan as “the great deceiver.” Lawsuits against boards that caused investors to lose money often allege that these entities “knew or should have known.” Ignorance of deception is not a defense. I know of three cooperative enterprises that launched with deceptive feasibility studies. The little “lie” seemed so innocent that the number went un-noticed by most people. It

represented a market price for a product that made all the other numbers work. Except one thing: That product never sold for that price—ever.

I said these were hard lessons. I was at the funeral of a man who lied about his personal net worth to increase his ability to borrow. He killed himself, leaving two beautiful children fatherless. He told me because his certified public accountant had signed off on the financial statement he felt that he really didn’t do anything wrong. He told me everyone does it. I wish I had that day over. I would have simply told him, “Let me help you find the equity you need.” I wasn’t brave enough then. It still takes a great deal of courage to tell the truth. I have worked with two bankers and two developers who have been convicted and gone to jail for fraudulent activities. Deception is so easy and seems so innocent, but the consequences are evil and deadly.

An expression holds that truth is the first casualty of war. The largest bankruptcy in U.S. history (at the time) was Enron. It was a casualty of its own inability to tell the truth. It never needed to happen. Sometimes it is hard to know what is true and boards don’t like the sometimes adversarial process of finding out. Being nice is not the same thing as telling the truth. The truth can be damn impolite, but understanding the financial reality of a cooperative is a sacred duty of management and the board. Deception is the twin evil brother of greed.

LESSON 4

■ *The myth of free markets as the best way to distribute goods and services is perpetrated by those who intend to monopolize those markets*

I, like you, have heard the shrill voice of those crying, “Socialism, socialism,” whenever cooperatives are discussed as a way to provide financial services, health care, housing, utilities or retail services. Those who cry the loudest are often those raking in outrageous profits from their monopolistic control. They say competition is a good thing, but they don’t mean it. Their goal is not to compete, but to dominate.

Those of you who saw the movie “Amazing Grace” heard the economic arguments for slavery. Those arguments for oppression, repression and exploitation are still being made—this time under the cover of more polite economic discussion. Thomas Frank exposes this deadly attempt to silence alternative thinking and expression in his book “One Market Under God.”

Frank roundly chastises Thomas Friedman. I remember the influence of Thomas Friedman’s book, “The Lexus and the Olive Tree,” on CEOs and managers in the cooperative community. Friedman argued that the argument about the free market was over and that the free market won.

“The longest running bull market and the unprecedented upward transfer of wealth seen in the Clinton years was proof that we only needed to put on the “golden straitjacket” (Thomas Friedman’s words) of free market capitalism because no other choices would ever be needed.”

—“The Nation, The Rise of Market Populism” by Thomas Frank, October 12, 2000

The myth of the free market has been used to explain why health care must be run through the fragmented, disjointed,

inefficient system we have in America. In my home state of North Dakota, Native American men live 11 years less than white men. They have separate health care systems. This entire segregated system is protected from change by the people screaming “socialism, socialism” at public forums, much the same way British ship owners who hauled slaves were protected by economic arguments of unilateral disarmament—leaving other countries to make all the money and putting British shipping companies out of business. There is a better way to deliver health care than the free market system. It is a system based on cooperation, not competition.

Recently the executive of Blue Cross and Blue Shield in North Dakota was fired. He was fired for a culmination of bad judgments including expensive vacation trips for sales people when Blue Cross and Blue Shield was losing money and raising rates. He was given a \$2.4 million severance package. That amount of dollars must have been determined well in advance of his departure based on “the free market value of his skills.”

I am in a study group on Islam. We have learned that 2.5% of a Muslim’s income is to go to the poor (not to the government to give to the poor). We also learned that Muslims believe it is wrong to charge interest.

Tragically, Christianity, as practiced in a significant number of churches in the United States, teach an opposite view—that God intends you to be rich. They have deified the “free market” as if it was a creation of the divine. Churches have been joined in this corruption of theology by American corporations. These corporations tell their marketing stories with a theological twist implying that purchasing their products is a

form of piety. Chevrolet (Heart Beat of America) had a promotion that awarded free tickets to Christian rock concerts to people who test drove their cars. Honda never went after the “Christian Right” market and instead continued to pursue their reliability and efficiency market niche.

LESSON 5

■ *Anger is the first signal that a system change is needed*

As socially aware human beings, alert to injustices, we will become angry at the perpetrators of those social wrongs. Emotionally hyper-alert people will search for the faintest signal that something is wrong to defend themselves against the random injury that is surely to follow. We carry within us negative emotional memories that, when triggered by a sensory perception, floods the mind with strategies for a fight or a flight response. Anger is primarily a fight response. Fear a flight response.

Anger may be the first catalyst in cooperative formation. Uniting against a common threat or, in some cases, a common predator, is the oldest organization strategy I know about and it works. But it works only as a call to action. It doesn't inform what action should be taken.

“Anyone can become angry—that is easy. But to be angry with the right person, to the right degree, at the right time, for the right purpose, and in the right way—this is not easy.”

—Aristotle, Aristotle, the Nicomachean Ethics, quoted in “Emotional Intelligence” by Daniel Goleman, 1995, Bantam Book

What works in organizing cooperative enterprises is the discipline of Appreciative Inquiry. Appreciative Inquiry means asking positive questions.

“Appreciative Inquiry is about the co-evolutionary search for the best in people, their organizations, and

the relevant world around them. In its broadest focus, it involves systematic discovery of what gives “life” to a living system when it is most alive, most effective, and most constructively capable in economic ecological and human terms. AI involves, in a central way, the art and practice of asking questions that strengthen a system’s capacity to apprehend, anticipate, and heighten positive potential. It centrally involves the mobilization of inquiry through the crafting of the “unconditional positive question”, often involving hundreds or some thousands of people.

In AI, the arduous task of intervention gives way to the speed of imagination and innovation; instead of negation, criticism, and spiraling diagnosis, there is discovery, dream, and design. AI seeks, fundamentally to build a constructive union between a whole people and the massive entirety of what people talk about as past and present capacities; achievements, assets, unexplored potentials, innovations, strength, elevated thoughts, high point moments, lived values, traditions, strategic competencies, stories, expressions of wisdom, insights into the deeper corporate spirit or soul, and visions of valued and possible futures.”

—“Appreciative Inquiry, Rethinking Human Organization Toward a Positive Theory of Change,” Cooperrider, Sorensen, Whitney and Yaeger, Editors, 2000, Stipes Publishing, Champaign, Illinois, Page 5

If you use other organizational strategies, you may be successful in creating cooperatives but it won't be as much fun. I have had limited training in Appreciative Inquiry and, much like going to Alcoholics Anonymous, I need constant reinforcement to keep from “falling off the wagon.” Appreciative Inquiry has a wonderful benefit to the cooperative developer. It gives you control of public meetings by allowing you to restate anger-based negative questions into positive ones that allow the answers to come from the very person who raised the question.

A feasibility study based on Appreciative Inquiry asks positive questions such as, “Under what operating parameters could this enterprise be economically sustainable?” Then the good faith question becomes, “How can we meet those parameters?” Even though it is a positive question, the answer may be, “We cannot get there from

here and, therefore, we should stop.” When the steering committee says stop you have successfully completed the study. Appreciative Inquiry never cheats on Lesson 3—it always tells the truth.

LESSON 6

■ *There is no easy “cookie cutter” approach to creating cooperatives*

As developers and educators we are always looking for that “northwest passage” to reducing cooperative development to a routine. Yes, it seems like there has been a system that throws off natural food cooperatives, and institutions like NCB, formerly known as National Cooperative Bank, want that to be true. So do I. But programs like Food Co-op 500 and ROC (Resident Owned Communities) USA are still dependent on local cooperative leadership.

Here is the lesson: Don’t ever start a cooperative without trustworthy local leadership already in place. This is indeed a hard lesson and it leads to bitter arguments. I have lost those arguments numerous times. But I am right about this. I have seen the other side—where a developer (usually with the best of intentions) gains control of a property from an owner and re-develops it with the intention of forming a cooperative and selling it to the cooperative at a profit. This methodology requires inordinate faith in someone’s ability to recruit and train cooperative directors. It also requires the potential members of the cooperative to see the financial value of joining. They may not.

Because cooperatives are democratic organizations, they will elect their own leaders, not ones selected by experts. As an organizer, if I can’t find trustworthy electable leaders to serve on the steering

committee to study the feasibility, I stop. Not everyone does. I mentioned a developer who went to jail under Lesson 3. That developer used the names of local leaders as owners of his enterprise, signed their names for them, and took delivery of animals on their behalf. When the federal agency came to see how the animals were doing and checked with the owners as listed on the ownership documents, they denied ever signing the documents. The developer went to jail for fraud.

A rural electric cooperative bought a processing plant, put money into it and attempted to sell it to the growers who sold oil seeds to it. The growers were also members of the electric cooperative; they didn’t understand why they needed to take the rural electric cooperative off the hook, since they owned the electric cooperative as well. They didn’t buy it. I can promise you that you will be tempted to violate this lesson. Don’t.

LESSON 7

■ *Without a compelling vision, cooperatives are not sustainable*

I shouldn’t have to tell you this. I am tired of telling this truth, but it is fundamental to organizational sustainability. A vision (according to Peter Senge in “The Fifth Discipline”) is the answer to the question, “What do you want to create?” That is a very positive question. It implies that you can create something. It asks you a deeply personal question as if the answer really matters. It does—because if you and I and many others want to create something very badly, and we are willing to invest our energies to make it become reality, there is a good chance we will.

North Dakota has the only state-owned bank in the United States. One-hundred years ago

a group of farmers got angry over the high real interest rates they were paying Minneapolis banks for operating capital. They researched, they organized, they created a new political party, they gained legislative control and they created that bank in 1919. The Legislature approved the appropriation for a new bank building in the shape of a riverboat overlooking the Missouri River in 2007. It is there now, a shining creation of glass and steel and profitability.

So intent were the “free market capitalists” on discrediting this socialistic institution they initiated recall petitions and many of the legislators who voted for the bank were recalled from office. Gov. William Langer, an NPL (Nonpartisan League) member was prosecuted and served time in jail, only to have his conviction overturned. He finished his life as a U.S. senator from North Dakota. Some dreams are sturdy, some visions compelling.

Howard Cowden, the founder of Farmland Industries, said, “Make no little plans, for they have not the power to stir men’s souls.” He founded what became at one time the largest cooperative in the world.

On Aug. 9, 1990, I met with Robert Spencer and John Rice in Maddock, North Dakota, about durum wheat farmers owning their own pasta plant. Spencer was the manager of Baker Electric Cooperative at Cando, North Dakota. John Rice was a farmer and spray pilot who farmed near Maddock. He was also president of the United States Durum Growers Association. On July 9, 1992, Dakota Growers Pasta Company broke ground at Carrington, North Dakota, for a pasta company that is now the third largest producer of pasta in the United States.

A vision or a dream is an image of the future that we deeply desire. Martin Luther King did not say, “I have a strategic plan.” Instead he spoke personally about the kind of future he wanted. That vision had power. And although Fox News ridicules people who wept at the Obama inauguration, I am proud to say I did. In my lifetime I saw the power of that vision.

Twin barriers prohibit people from telling you what they want to create. The first is a sense of unworthiness, which manifests itself in the expression, “I wouldn’t deserve something that nice.” The second is an inappropriate set of limits expressed as, “What’s the point of telling you what I want to create? I can’t have it anyway.” People don’t speak honestly in public meetings about what they deeply desire. Instead they try to look “witty and wise,” according to author Scott Peck.

Images of the future really matter. My son is a student at Minnesota State University at Moorhead, Minnesota. Recently the Red River reached a 500 high of 41.6 feet. And the levy of sandbags put there by 10,000 colleges students working around the clock in a fevered but well-organized effort held.

There were two images of the future of Fargo. The national media portrayed the flood as inevitable and state emergency agencies developed relocation plans changing all four lanes of Interstate 94 to west bound for evacuees. The other image was held in the minds of those tired college and high school students and the mayors of the cities of Fargo and Moorhead. That image was put simply by Sen. Byron Dorgan when he was asked by the media why the federal government didn’t order an evacuation. Dorgan’s response was, “The people of Fargo and Moorhead think they

are going to win—and I won't bet against them." They won.

Organizations that have a negative image of their own future cannibalize themselves—often trying to fix what is wrong. They ask the negative questions like, "What is wrong with us? Who screwed up?" Even if unexpressed, decisions are based on a shut down image of the company. Because I am an expert only in starting and growing cooperatives, I leave the undertaking to others. But a steering committee or an emerging cooperative without a vision of its own success embedded in the chairman and the board members' minds is not likely to survive. In my view, a deeply held positive image of the cooperatives future is a more important asset than balance sheet equity.

LESSON 8

■ *Cooperative formation is cultural and parallels the cultural value of social equity*

"The touchstone of social capital is the principle of generalized reciprocity—I'll do this for you now, without expecting anything immediately in return and perhaps without even knowing you, confident that down the road you or someone else will return the favor. As philosopher Michael Taylor has pointed out, "Each individual act in a system of reciprocity is usually characterized by a combination of what one might call short-term altruism and long-term self-interest: I help you out now in the (possibly vague, uncertain and uncalculating) expectation that you will help me out in the future."

"Reciprocity is made up of a series of acts, each of which is short-run altruistic (benefiting others at a cost to the altruist), but which together typically make every participant better off."

—**"Bowling Alone: The Collapse and Revival of American Community," Robert Putnam, 2000, Simon and Shuster, New York, New York**

When I look at the charts in Putnam's book on states that rank highest in social capital (page 293) they seem a near perfect overlay for Brent Hueth's (University of Wisconsin) map of where cooperatives have been formed. (*Research on the Economic Impact of Cooperatives, University of Wisconsin, March 2009, Steven Diller, Ann Hoyt, Brent Hueth, Reka Sundaram-Stukel, page 15*)

The virtues of high social capital scores are remarkable—lower crime, better health, better education, higher incomes, and higher levels of civic engagement. It is within this culture that cooperation thrives.

The historic interpretation by agricultural economists that cooperatives are formed primarily from a collective form of "enlightened self-interest" is only partially true. Historians are very useful in drawing distinctions between populists (sometimes farmers with pitchforks) and progressives (educated strategists). Former North Dakota Gov. William Langer graduated first in his class from Columbia Law School. Langer and other progressives had the ability to lead angry farmers with brilliant political and economic strategies.

Putnam contends that social capital was intentionally destroyed by the institution of slavery and, the stronger the support for slavery, the lower the scores of social capital, to this day.

It is clear that a single federal program for cooperative development targeted to all rural areas with the same measurable outcomes will not be effective. That is because the cultural resources that support cooperation are missing in some regions of the country and abundant in others.

LESSON 9

■ *There is no surrogate for local leadership*

This means that cooperative educators and cooperative developers must find ways to work on the local level. University- or capitol city-based development programs that can't get to meetings in the farmhouse kitchen will not likely understand how this works. While the Extension Service is one of the most successful programs in history at the diffusion of innovations (see "Diffusion of Innovations," Everett Rogers, 1995, The Free Press, Simon and Shuster, New York, NY), they have not yet learned how to capture innovations that come from the ground up.

The Extension agent is an information provider and problem solver, but only in rare cases are they change agents. Land Grant Universities teach local leadership in carefully designed curricula to carefully selected potential leaders. Unfortunately, local leaders are selected by community members—often with different criteria.

The answer is real-time leadership training to leaders who have already been elected. This training may occur at board meetings or community meetings, but it needs to occur in the community. Lesson 6 (no cookie cutter cooperatives) applies here. I think the trainer of local leadership is more like a 4-H leader than a university-based leadership expert. The leadership trainer is actually a coach, strategist, confidant and listener who models good leadership skills.

Jim Collins, in his book "Good to Great," makes an excellent point that getting the right people on the bus is the CEO's first job. To a cooperative developer, it is getting the right local leaders. Fail this test and nothing else matters. It is especially

difficult since the educator or developer doesn't control the local leadership selection—only influences it. Keeping felons from becoming chair of the steering committee can even be hard work. Finding a trustworthy, already busy, person who can commit to a long-term servant leadership role is asking for miracles. They do happen.

LESSON 10

■ *There are no perfect leaders*

John Calhoun supposedly said of Henry Clay that although Clay was brilliant, he was also corrupt and "like a rotten mackerel in the moonlight, he both shines and stinks."

I have learned that to be true in today's leadership ranks as well. I have worked with men and women whose skills and character were just what the new enterprise needed. But what is more common is a mixture of brilliance and stupidity. It is tempting to exaggerate the virtues of the leader and attempt to minimize the weaknesses. However, local people will not be fooled since they know their leaders. Patience and just-in-time leadership training can go a long way in converting a solid community member into a good leader. It is essential, however, to have that leader in charge of the project. If local leadership is not available—stop.

LESSON 11

■ *Courage, intelligence and honesty are more important leadership traits than charisma*

Jim Collins in "Built to Last" and Peter Senge in "The Fifth Discipline" all came to this same conclusion. As I look around at the cooperatives that last, I see board chairs and managers who have remarkable humility. They are focused on delivering a member benefit in a clear, straight-forward

way. In most cases they have their egos out of the way, have learned to take unfair criticism and have come to understand the economic sector they work in.

Farmers Union Marketing and Processing Association (FUMPA) was formed in the 1920s. They operate rendering plants in Redwood Falls, Minnesota, and Long Prairie, Minnesota. They pick up dead stock from farms and renderable materials from packing plants in a four-state region.

Recently FUMPA added a biodiesel facility to their Redwood Falls plant. They added a line of kitty litter to their products, they established a foundation that helps establish other cooperatives, and they have paid millions to patronage. They have experimented with mobile facilities, and more energy efficient processes. They always have time to talk with you and give you a tour. They are one of the most financially healthy cooperatives I know, but I have never once heard the chairman or the CEO brag.

These types of people are the kind of folks I look to find to help start new cooperatives.

LESSON 12

■ *Cooperatives can be hijacked under the guise of demutualization*

I understand there are legitimate reasons to demutualize a cooperative. I have also learned that the exemptions from security laws and other federal regulations can be abused by individuals never intending to operate over the long term as a cooperative enterprise. The original “Co-op Fever” took place during the same time period as the dot-com craze and the longest running bull market in U.S. history. Getting rich quick through the appreciation of shares in a new generation cooperative got to be a game

among some of the farmer/investors. One member of Dakota Growers sold his shares at auction with his real estate and farm equipment. He probably established the highest price ever paid for those types of shares—gaining nearly three times his original purchase price just a few years earlier.

What makes cooperatives vulnerable is the drifting of intent from adding value to a commodity to adding value to money. On Election Day in 2006, Thomas Dorr asked a group studying the need for a cooperative equity fund, “What purpose will cooperatives serve if they cannot help people accumulate wealth?” No one in the room responded. This misunderstanding of the role of cooperation became pervasive, driven by the free market theorist who could not conceive of a good or a service not available if the buyer had the money to pay. The accumulation of wealth as pre-eminent aspiration of rural people must have seemed obvious to Mr. Dorr.

I am hopeful that a study can be done of Icelandic cooperatives that have demutualized as to the net effect on members. This subject remains politically charged and it is difficult to have a dispassionate conversation about it.

LESSON 13

■ *Discipline*

There is not yet a recognized body of knowledge that instructs the development of cooperatives. CooperationWorks! has published the Madison Principles to guide cooperative developers but there is no enforcement mechanism for those who violate them. Federal agencies that provide financial support for cooperative development should agree on something like a “best practices” statement. Contractors,

lawyers, doctors, accountants and many other professions have standards of conduct that if violated can cause individuals to lose professional standing. That is not true in the cooperative development world in the United States.

Quebec comes very close to having such a standard at the provincial level, where the province pays developers based on not only the number of cooperatives started but the survival rate as well. USDA, through the Rural Cooperative Development Program, continues to believe that funding a one-year work program is the most effective strategy. At the retirement dinner for Co-op Hall of Fame member Melba Smith, I learned of her lifetime commitment to the cooperative development. I personally have worked on a project for 10 years.

In the work of development generally, there needs to be a long-term view. The Bank of North Dakota took 10 years from inception to funding. A power plant takes 10 years to permit and site. New ideas can transform rural economies, but the process is evolutionary not revolutionary.

The discipline I am referring to is the adherence to a reliable set of principles—such as the Madison Principles—by cooperative developers who are not corrupted by quick fixes or the need to so an immediate bottom line.

One-hundred years after the idea of the Bank of North Dakota was first advanced, that institution is providing financing to farmers to join cooperatives. But there had to be a lot of discipline along the way to keep the bank from going broke. After all, it is run by three elected politicians (the governor, ag commissioner and attorney general).

Likewise, a cooperative must have internal discipline.

As the CEO of Northern Plains Premium Beef, I was able to get Jim Rainey, former CEO of Farmland Industries, to serve as executive advisor. We had a robust meeting of ranchers from five states and two Canadian provinces going in the Basin Electric Power Cooperative boardroom in Bismarck, North Dakota. Northern Plains Premium Beef had committed itself to source identify all meat products it sold all the way back to the ranch where the calf was born. One Canadian rancher from Saskatchewan protested the idea of having to ear tag each calf with a Northern Plains identifier. He had several hundred mother cows and he told us he didn't ever intend to find them and tag the calves. Jim Rainey was soft spoken, but to this comment he banged the table with the palm of his hand and said, "Discipline, gentlemen, discipline."

Without the discipline of source identification, Northern Plains Premium Beef was just another cattle company. The non-complying rancher was asked to leave the cooperative and he did.

I have learned that if members are not capable of the necessary disciplines inherent in running the cooperative, it will not last.

LESSON 14

■ *Adopting a sustainable life philosophy*

I want to close with the most important lesson. When I went to work for former Gov. George Sinner at the North Dakota Economic Development Commission in the summer of 1985, someone photocopied an article entitled "A philosophical look at Economic Development" written by Kent Kedl. It was published in the November-

December 1984 issue of “Small Town.”
Kedl was associate professor of philosophy at South Dakota State University in Brookings and he delivered his presentation at a forum in Avon, South Dakota, sponsored by the Avon Community Education Committee and funded by the South Dakota Committee on the Humanities. Part of what he said was:

“If people do not share a metaphysical dream, they have no sense of place and are not a part of something larger than themselves. Consequently, there is no sense of importance or value outside of oneself. One is driven to egotism. An egotist cannot sacrifice for anything larger for there is nothing larger. The bottom line for the egotist must always be: ‘What’s in it for me?’

A group of egotists can come together out of self-interest. Through cooperation, they can work together to increase their individual benefits. But because they form their partnership based upon egotistical concerns, they do not form a community. This type of person would be a fool to go into or maintain a partnership if it required personal sacrifice: One does not intend to sacrifice in a partnership.

I set out to explain what life, illness and death of a community consist of. Life consists of having a metaphysical dream, death is the loss of such a dream, and illness is somewhere in between.

When people lose their dream, their attitudes are affected. They lose the will to resist temptations: they overindulge; they lose interest in the future and will not act for their own preservation. They become governed by their parts; the strongest appetites and passions will rule.

So, too, with a community. When the group dream is lost, each person tries to coerce the group toward his or her own ends. A particularly strong person, like a strong appetite, can pervert the community in such a way that it destroys its own future; shortsightedness is a symptom of egotism.”

The role of the cooperative educator and the developer is to rekindle the dream. That dream is hidden deep inside people, silenced and nearly snuffed out by the egotists. The developer finds the dream, nourishes it, and it does the work.

I, like all of you, am acutely aware that my work will not be accomplished in my lifetime. I, too, share the urgency of now. But I share a newfound belief. The victory is already ours. Cooperators do not have to fit into the competitive and cruel capitalistic world that generates a few winners and mostly losers. We can learn instead from Rosa Parks, Abraham Lincoln, Martin Luther King, Thomas Jefferson, Jesus and Barack Obama.

The world is turning our way. It doesn’t seem that way—but people really do want to cooperate, they want better lives, they want to live in peace and they want their children to be secure. Ideology and partisanship and egotism have imprisoned us but we can get out. We can rekindle the dreams of a better life and people will use that dream to change the world and make it better.

We can learn to treasure our neighbors and facilitate their cooperation that leads to a better life. We can enjoy and practice this life-giving skill we have been given—so that long after we are gone and our awards are packed away in dusty boxes, there will be people living happy and prosperous lives and they will say they did it themselves.