



Farmer Owned Cooperatives :
*Opportunities for Partnerships in
Agriculture*

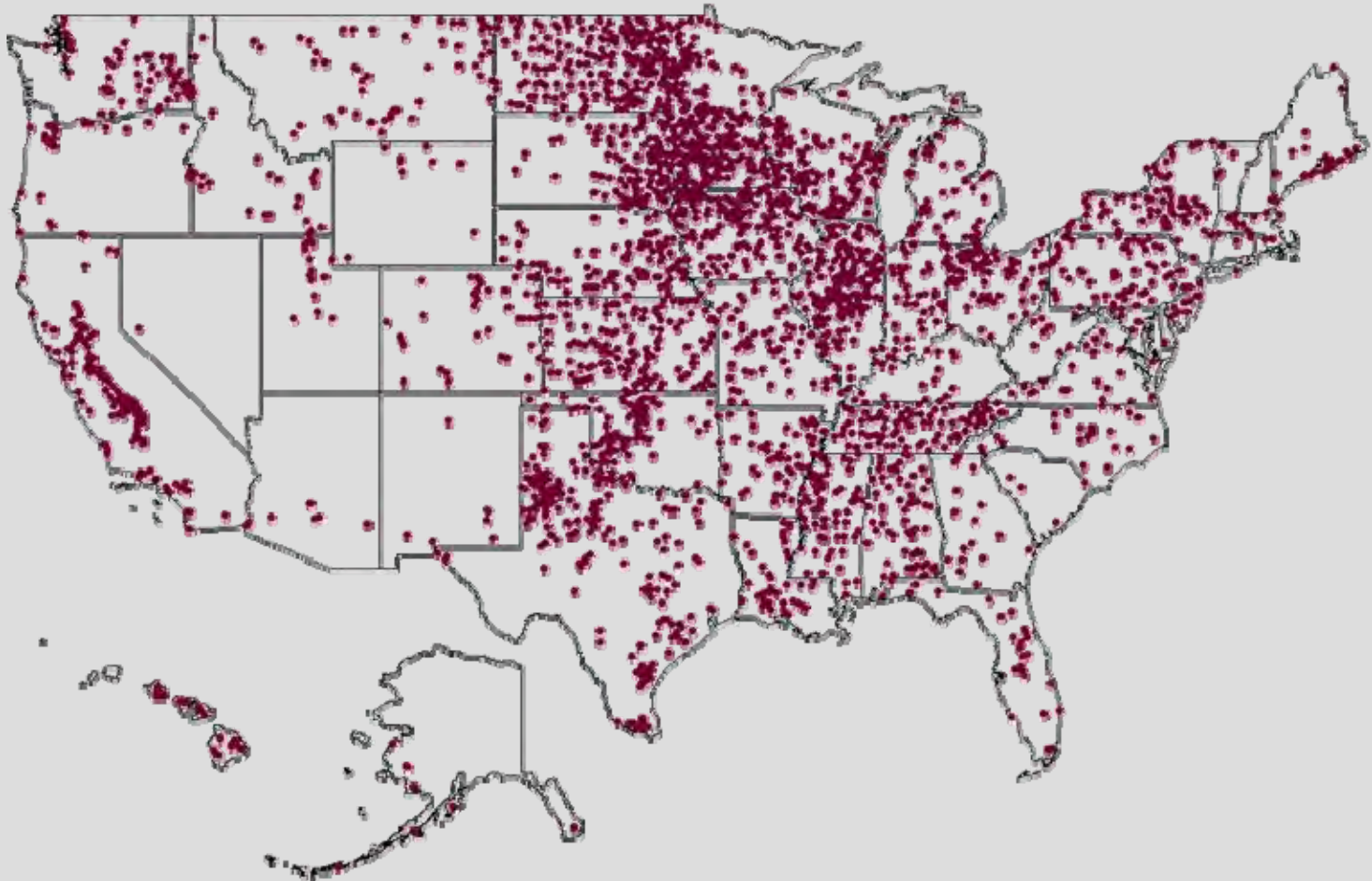
March 28, 2007

Jean-Mari Peltier, NCFC

Farmer Cooperatives are significant players:

- 28% of farm supply sales
- 29% of all commodities marketed

America's Farmer Cooperative Businesses



NCFC Members



Co-ops' Share of U. S. Farm Marketings, Selected Products

<u>Products marketed</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002*</u>
	---- Percent of cash receipts ----				
Milk	83	83	82	83	83
Cotton / cottonseed	43	27	49	42	43
Grains & Oilseeds	39	34	44	38	38
Fruits / vegetables	19	18	18	19	19
Livestock / wool	14	13	12	13	13
All Other	12	12	13	12	12
All products	29	26	27	28	28

**** Estimated. Prior years from USDA***

Co-ops' Share of Major U. S. Farm Production Expenses

<u><i>Farm production item</i></u>	<u><i>1998</i></u>	<u><i>1999</i></u>	<u><i>2000</i></u>	<u><i>2001</i></u>	<u><i>2002*</i></u>
	----	% of farm production expenditures			----
Fertilizer	45	45	43	45	45
Petroleum	50	45	43	46	46
Crop protectants	34	34	35	34	34
Feed	21	19	18	15	17
Seed	10	10	13	13	13
Total of products	29	27	27	26	28

** Estimated. Prior years from USDA*

Ethanol from corn must have:

- **Federal \$0.51 tax benefit**
- **\$0.54/ gal tariff on imported ethanol**
- **Other state and federal incentives**
- **Oxygenation mandate and MTBE ban**
- **Bio-fuel use mandate 7.5 bil. gallons by 2012**
- **Continued high oil prices \$55-60 per barrel**
- **Slow emergence of alternative technologies**
- **Available feed stock at reasonable relative price:**
 - ✓ **Rapid increase in corn acreage**
 - ✓ **At least trend yields to prevent market disruptions.**

The \$.51 tax benefit means ethanol can bid \$1.38 a bushel more for corn than the economics of the industry would permit. This does not include any state and local incentives.

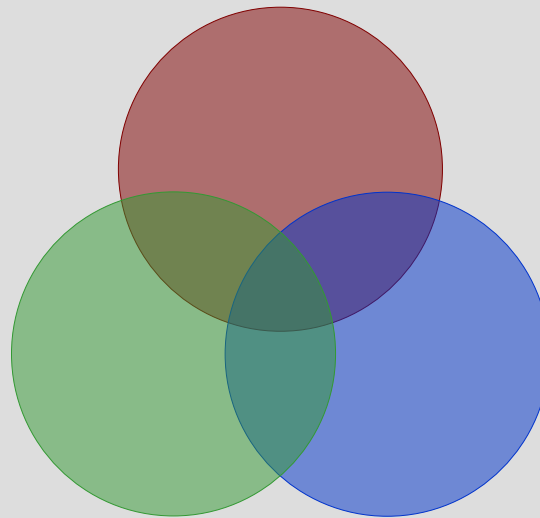
CBAG Review

- Producers expect their coop to be a vital part of rural communities
- Coops are a trusted source of agronomic advice
- Environmental issues are escalating at both the field and cooperative level
- Differentiation/preference in the marketplace
- Regulatory pressures
- Add value to cooperative membership
- Helping producers prepare for and maximize conservation benefits



Sustainability: Traditional

Environment



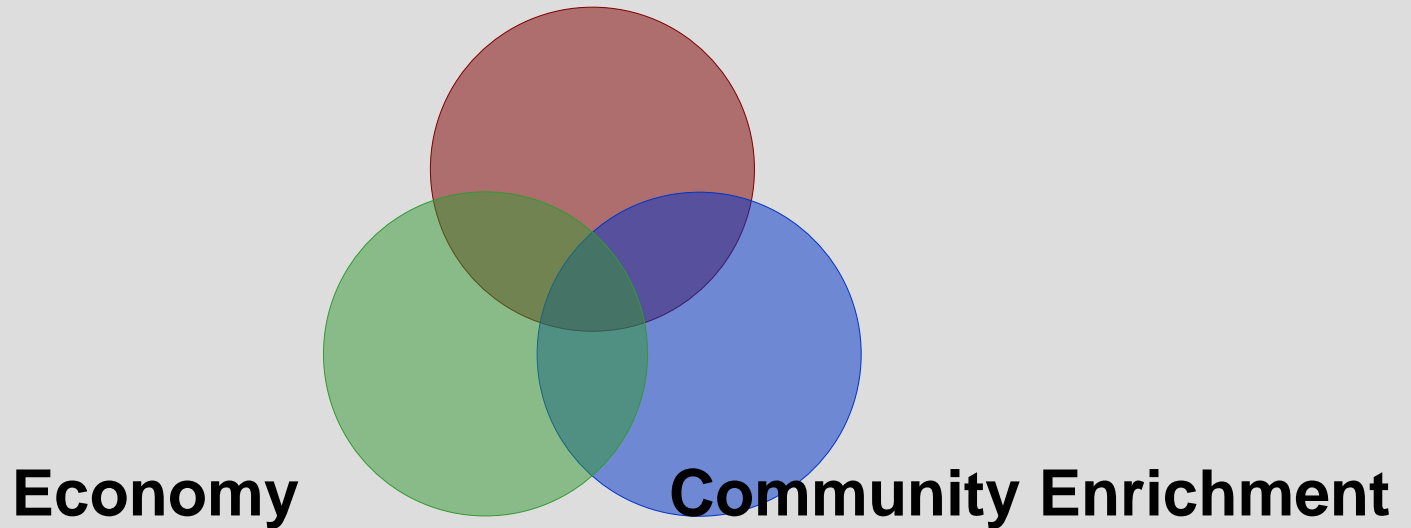
Economy

Society



Sustainability: *Coop Style*

Stewardship of Natural Resources



Elements of the Code

- **Purpose**

- The Purpose of the NCFC Code of Sustainable Practices is promoting locally-driven, environmentally and economically sound practices that are responsive to the unique role farmer-owned cooperatives play in the communities they serve.

Elements of the Code

- **Principles of the NCFC Code–**
 - Stewardship of Natural Resources
 - Economic Viability for Farmers and their Cooperatives
 - Strong Rural Communities
 - Safe, High Quality Food, Feed, Fiber and Fuel

Elements of the Code

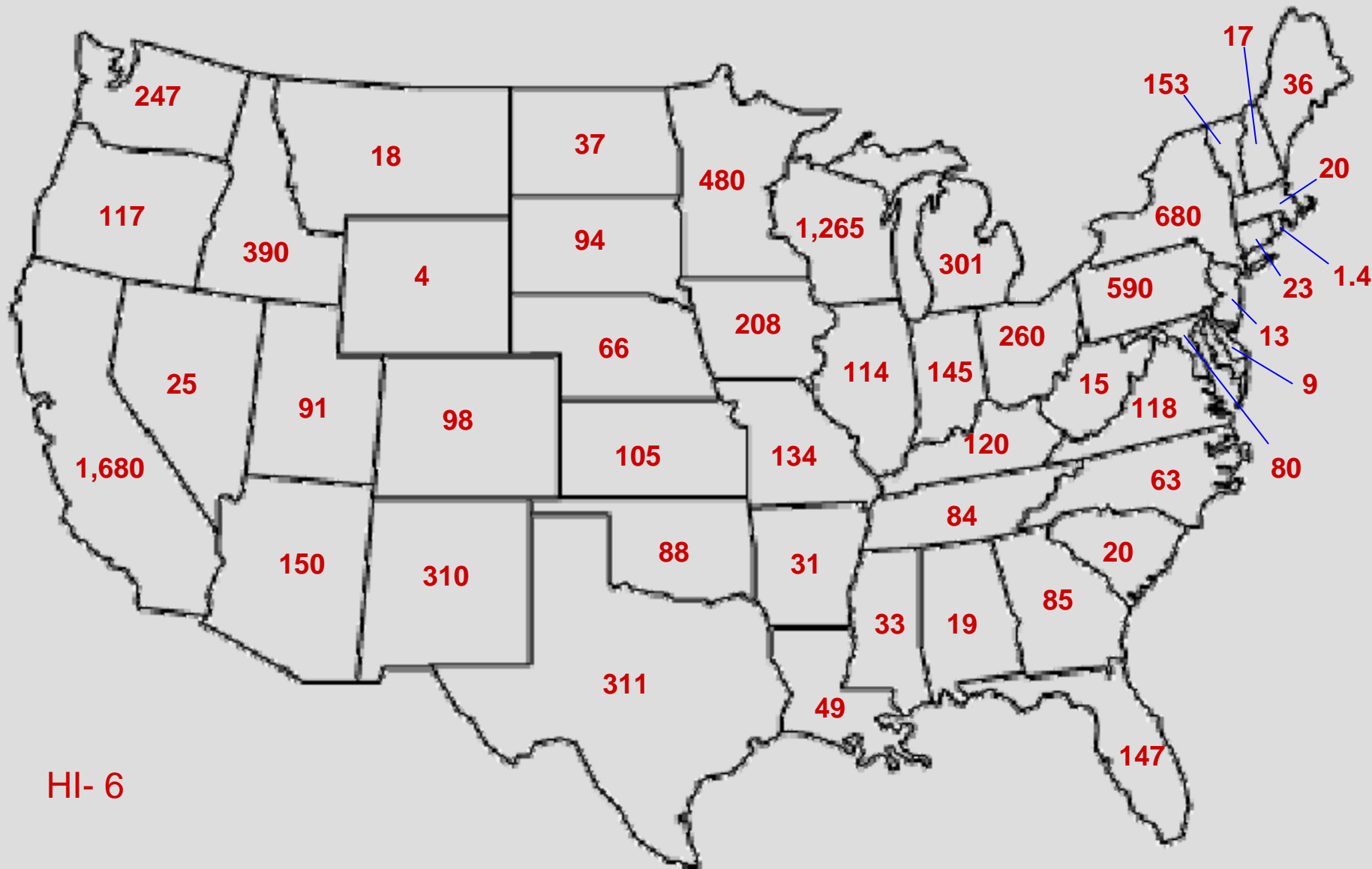
Procedures define a set of shared tools and strategies used by members to identify, document, and communicate sustainability efforts.

- Cooperative Commitment
- Partnerships
- Define the baseline
- Development of Coop-Specific Practices
- Develop Improvement Targets
- Record-Keeping and Reporting
- 3rd party verification/certification

Energy from Methane – New Role for Coops?

- About ~80% of US milk comes from coops
- Air emissions & locally excess manure are problematic
- Anaerobic digestion of manure and government subsidies of alternative energy sources could be the key
- Producing & capturing methane may yield new coop opportunities for this renewable energy source
- NCFC and NRECA may have a unique solution

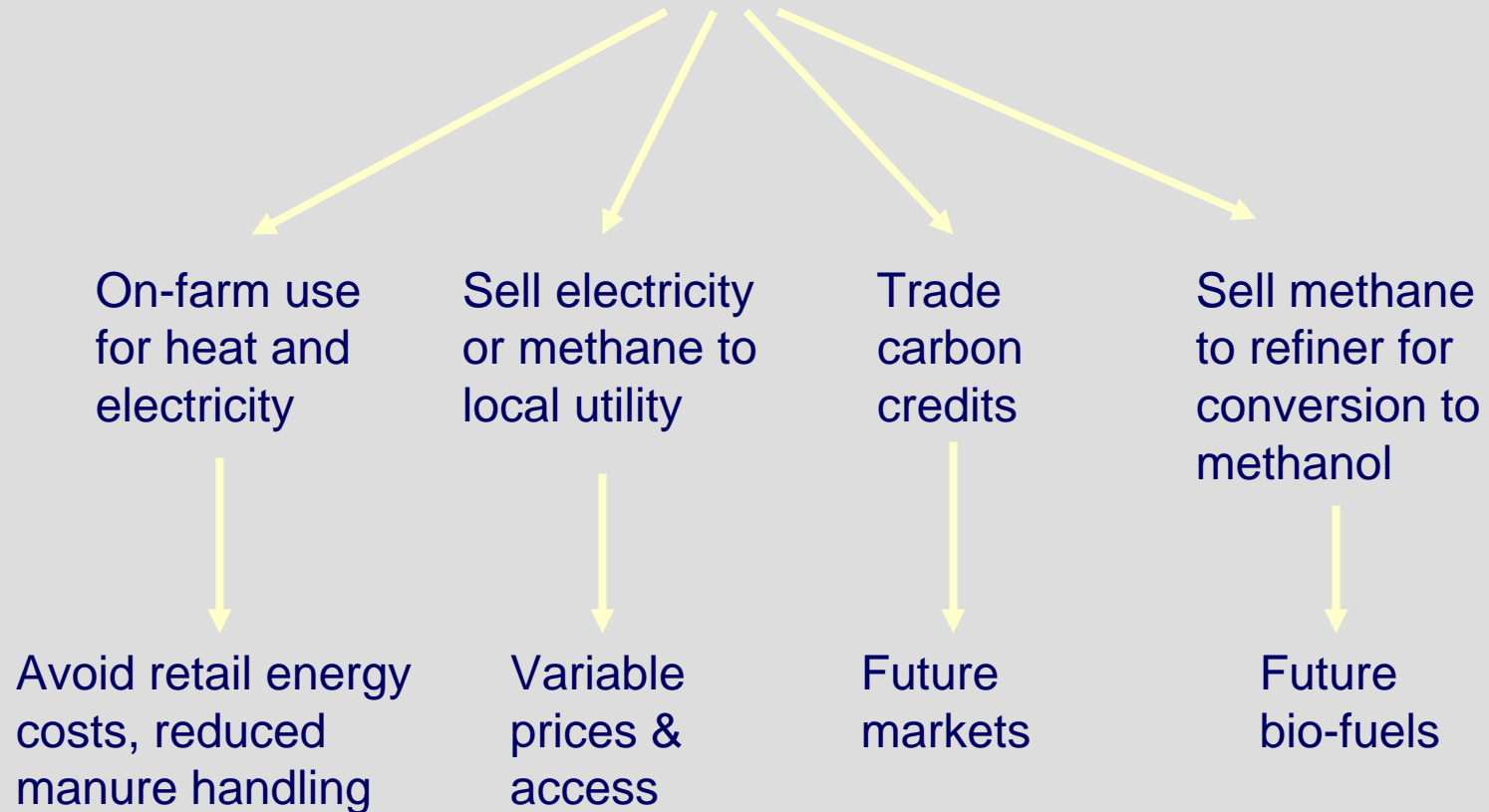
AK- 1.3 US Dairy Inventory (1,000 head)



HI- 6

Current and Future Income Sources

Biogas from Anaerobic Digestion



Role of USDA

1. USDA -- continue historic role in environmental stewardship and rely on cooperative education as delivery mechanism
2. Practical technology solutions -- cooperative participation in R & D
3. Cooperative-to-Cooperative programs in rural America should be encouraged

Needs & Hurdles

- Tax incentives, cost share funds, low cost loans, innovative financing
- New technology for electric generation
- New technology for biogas purification
- New technology for oxidation of methane to methanol
- Carbon trading markets
- Innovative coop energy marketing