

Cranberries to Alpacas

The Benefits of a Farmers' Cooperative

By Daryl W. Goodrich, J.D.

In the 1880s, my great grandfather, Charles W. Wilkinson, discovered that cranberries grew very well in the sandy, acidic soil of Southern New Jersey. The area is known as the Pine Barrens. The few indigenous inhabitants were often called Pineys. Yellow pine trees stunted in growth due to lack of soil nutrition forested the area. A few narrow, rutted roads surfaced with sugar-like sand and rainwater-filled potholes criss-crossed through this almost wild region.

Charles purchased over 200 acres at the Hampton ruins along the Batsto River, cleared trees, and planted cranberry vines. He built a state-of-the-art packinghouse



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where his cranberries would be stored, sorted, and made ready for wagon transport two miles to a railroad siding. The four-story packinghouse used wood from dismantled Philadelphia 1876 Centennial Exposition buildings and was equipped with an Otis elevator powered by a gasoline-powered, single-cylinder engine.

The cranberry vines were planted along the Batsto River in the shallow but extensive pits remaining after bog iron was dug up during the Revolutionary War for the nearby Hampton furnace and forge. Hampton was one of many Southern New Jersey cannon ball factories supplying George Washington's army. Hampton cannon balls likely found their way to the famous Battle of Princeton.

During the geological formation of Southern New Jersey, iron precipitated from the river water to form iron deposits in the sand riverbeds. These crusty sand-iron deposits became known as bog iron. During the Revolutionary War, towns hidden in the depths of the Pine Barrens grew up near this plentiful bog iron to smelt the iron and forge cannon balls.

The resulting shallow pits were perfect for cranberries since they could be flooded in winter to protect the evergreen cranberry vines from the cold, dry, winter winds. Soon, many cranberry farms sprang up in the Pine Barrens. A new industry was born!

Charles and several of his cranberry friends quickly realized the market for cranberries was not growing as fast as the annual cranberry harvest. They also realized that greater marketing success could be achieved by banding together instead of individual marketing by separate farms.

Growers Cranberry Company was formed as a farmers' cooperative to market members' cranberries. The cooperative's efficiencies of scale and power of many allowed cranberries to take the Philadelphia and New York City fresh fruit markets by storm. Consumers started making more and more cranberry-orange relish, whole cranberry sauce, strained cranberry

sauce and cranberry turkey stuffing.

The Southern New Jersey cranberry industry became so successful that farmers started planting cranberries in Cape Cod and parts of Wisconsin, where similar sandy, acidic, and low-nutrition soil existed. Low nutrition apparently keeps the vines lean and the berries many.

I remember as a child my grandfather Ralph Clayberger's (Charles' son-in-law) lapel pin from the Growers Cranberry Company old days. The pin was the cooperative's trademark. It was a stick man made out of large red beads. The cooperative marketed cranberries under the Eatmor Cranberries brand.

Charles died in 1932 and Growers Cranberry Company closed its doors in the 1950s. Ocean Spray Cranberries, Inc., a more vertically integrated farmers' cooperative, now serves the industry. It manufactures and sells cranberry and other food products under the Ocean Spray brand. Profits are distributed as patronage dividends to member cranberry growers across the country.

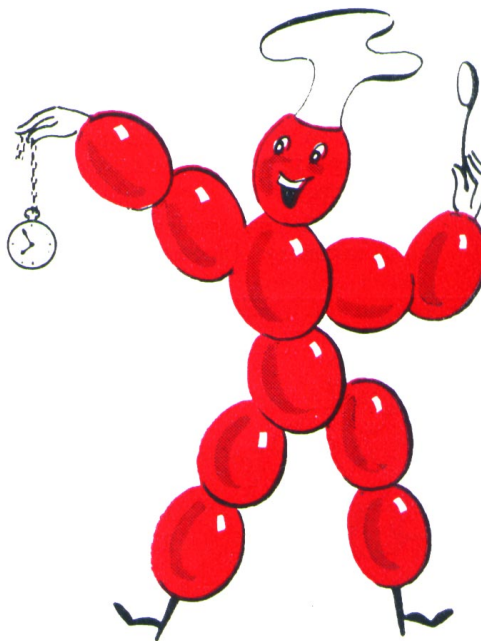
Farmer owned agricultural cooperatives have been around for generations. A national policy supporting these cooperatives, however, did not jell until 1926 when Congress passed the Cooperative Marketing Act. Also, the Internal Revenue Code exempts farmers' cooperative income from taxation to the extent it is distributed to members.

Today, cooperatives play a major role in U.S. agriculture and cover a wide array of services to farmers. A USDA survey reports a \$123.6 billion total gross business volume handled by cooperatives.

My main focus in this article is on marketing services. These include warehousing, processing, manufacturing, and selling agricultural commodities.

The appeal of marketing cooperatives comes from the demonstrated fact that people working together for their mutual benefit can reduce costs, generate greater income from their products, and secure services unattainable on an individual basis. These features come about as a result of two realities.

The first reality is that cooperative economies of scale, centralized management, and vertical integration allow cooperatives to engage in production and selling practices frequently beyond the reach of individual members. The second reality is that these cooperative production and selling practices put



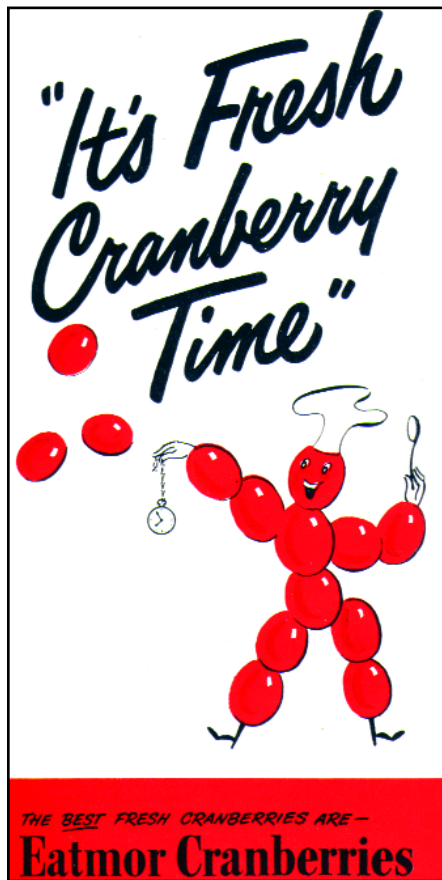
I remember as a child, my grandfather had a lapel pin, made of beads, representing the Eatmor Cranberries brand.

more of the pipeline from raw agricultural commodity to consumed product within the control of the farmer.

Control of the product pipeline is key, since agricultural commodities are worth more in the manufactured state than raw. By manufacturing and selling finished products, cooperatives capture for their farm members this greater finished product income.



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Cranberry juice sells for a lot more per cranberry pound than raw cranberries. Ocean Spray Cranberries, Inc. makes cranberry juice and sauce. When it sells this juice and sauce, members' cranberries are sold at this higher finished product price. Ocean Spray then distributes the profits to its members. There is no reason why alpaca breeders cannot benefit from a fiber cooperative just as cranberry growers benefit from Ocean Spray.

But, why sell fleece/fiber? I believe a consumable agricultural commodity is central to the long-term survivability of the alpaca industry. Consumption is the foundation of predictable and durable income. Our only consumable commodity is fleece.

A fiber cooperative opens to alpaca breeders a market beyond boutique and craft consumption. The competitive world of commercial trade is accessible. Not only will a large consumer pool be there for us, but also fine and coarse fleece can be sold. So, your entire alpaca fleece clip will be sold. And, it will be sold at the traditional high profit levels generated from the low production costs of large, modern mechanized manufacturing facilities and of a centralized sales force.

I see two side effects, however. As profits from alpaca fleece grows, so will the demand for "pet" alpacas. Also, an alpaca fiber industry will gild one's alpaca business with a traditional agricultural use, arguing against any Internal Revenue Service view that alpacas are exotic hobby animals.

Diving into "the competitive world of commercial trade" is like going West in the 1800s. Alpaca breeders become pioneers in the uncharted waters of the North American Alpaca ("NAA") fiber industry.

As I stand on the dock ready to set sail, large ships can be seen offshore. My pioneer survival instincts remind me to avoid the wake of large ships. I call this The Home Depot effect. Just as mom & pop hardware stores can be swamped by The Home Depot, so can a cottage-based fiber industry be swamped by offshore Peruvian and Chinese marketing ships.

This NAA fiber market dynamic and the farmers' cooperative income generating capabilities suggest that NAA breeders put aside individual preferences in favor of aligning their efforts to build a NAA fiber industry.

The farmers' cooperative vehicle fits this goal perfectly. There are no select few benefiting at the expense of the large many. The "me" gives way to the "we."

This is why I volunteer time as President and a Director of the Alpaca Fiber Cooperative of North America, Inc. ("AFCNA"). AFCNA was incorporated in 1998 under the Colorado cooperative corporation statutes and serves over 1,100 members. It is the only U.S. alpaca farmers' fiber cooperative. We are now financially stable and well into our 2004 adopted NAA fiber initiative.

This initiative is to process, promote, and sell finished and semi-finished NAA fiber products. My motto is: "there isn't a problem good products and good service can't solve."

The Boy Scout path to Eagle Scout rank is a good analogy for climbing this NAA initiative mountain. I wrote many years ago in an Eagle Scout Court of Honor ceremony script for my sons' troop when describing the Life Scout's path to his final rank advancement – Eagle Scout:

"The trail still leads on and up.

The path narrows and steepens as it winds along narrow ledges with deep ravines falling far below. Mile by mile climbing becomes tougher and more trying..."

Our Extreme Alpaca Socks are the only current product in our NAA fiber initiative. They are 80% alpaca, 18% nylon for toe and heel durability and 2% elastic for ankle top band. 100% of the alpaca content is member fiber. Yarn spinning is outsourced and sock knitting is performed on our Lanati knitting machine at our Decatur, Tennessee offices. AFCNA then washes and pairs the socks with a 3-inch wide paper identification band.

Our Extreme Alpaca Socks (right), are the only current product in our NAA fiber initiative. We sell them as fast as we manufacture them.



We are selling these socks as fast as we manufacture them. They are our biggest-selling, single piece of merchandise. The trail still leads on and up.

AFCNA is working with a U.S. woolen spinning mill to card, spin, and weave members' fiber into a throw. We are also working with a U.S. worsted spinning mill to make yarn for other products. 2006 should see several product prototypes. Our path narrows and steepens as it winds along narrow ledges with deep ravines falling far below.

These mills are not accustomed to carding and spinning alpaca fiber. They must take baby steps, since it cannot be carded and spun like sheep's wool. After worsted mills card fiber, they put it through pin drafting to better align the individual fibers. Even with pin drafting, alpaca fiber performs differently than sheep's wool.

In order for members' fiber to be processed by any mill, it has to first be sorted into grades and washed. AFCNA has been unable to find a satisfactory U.S. sorter. So, we are hiring an Australian sorting trainer to teach Tapedes de Lana personnel how to sort our fiber stored at their facilities in Mora, New Mexico.

We have found that costs and fiber loss is reduced when many thousands of pounds of fiber are washed at once.



Thus, we use a large Texas sheep's wool scouring facility for washing.

Mile by mile, AFCNA climbs closer to the Eagle Scout rank – many viable NAA fiber product pipelines. In addition to processing and selling, our NAA fiber initiative climb involves promotion as well.

AFCNA recently adopted the NAA fiber certification trademark below. When displayed, this mark will certify the alpaca fiber content of a product is 100% grown in North America and other specific product quality standards are met. We will license users who are in the NAA fiber commercial chain. That chain runs from growers through manufacturers, wholesalers and retailers of NAA fiber. This trademark will also be licensed as a service trademark for use in connection with NAA educational services.



In addition to its NAA fiber initiative, AFCNA serves its farm members as a buying club for non-NAA fiber sourced products. Many members have farm retail stores stocked with AFCNA-supplied merchandise.



To join AFCNA, go to www.afcna.com and click on "join AFCNA" in the left-hand menu or call 877-859-0172 during normal business hours.

AFCNA maintains an online store (www.americasalpaca.com) from which all shoppers may purchase retail and members may purchase wholesale for farm stores. This website is being redeveloped in early 2006 to reduce its operating cost, better present merchandise, be more user-friendly and offer a member affiliate program.

This affiliate program will allow farm members to establish a hyperlink on their farm websites to our online store. A commission on sales passing through this link will be paid to the affiliate member. This will be win-win for AFCNA and its members.

Additionally, the AFCNA members' website at: www.afcna.com is being redeveloped. A new host has been selected to reduce operating costs and

members may register with a profile of their farms. More information about alpacas, alpaca services, and AFCNA is being added all the time.

The AFCNA is not about you or me. It is about all of us. You can support its NAA fiber initiative simply by sending all your fiber grades and as much volume as you can when we make our 2006 clip collection call. When you join and support AFCNA, there is no officer, director, single member, or select group of members who benefit in any way you do not.

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