

Oregon Family Farmer

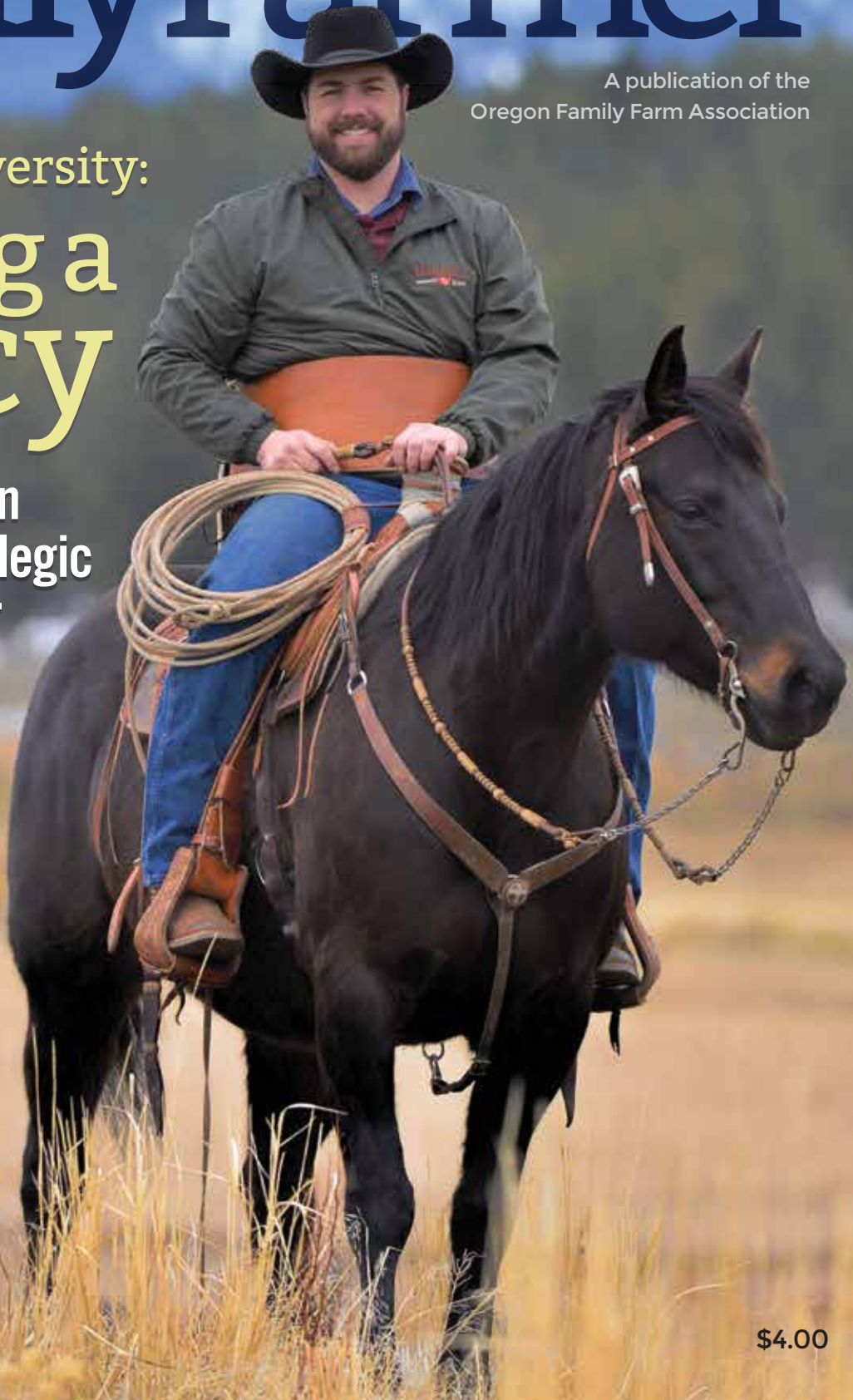
A publication of the
Oregon Family Farm Association

Overcoming Adversity: Building a Legacy

Meet 5th Generation
Rancher and Paraplegic
Cowboy, Alec Oliver

Celebrating Oregon's
Agriculture Entrepreneurs:
Lochmead Dairy

What Ever Happened to
Pendleton Grain Growers?
Pay attention to your co-op



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I Never Thought I Couldn't

"Hopefully it results in inspiring somebody to push themselves further than they think they can go."

— Alec Oliver

6



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CONTENTS



14

Oregon's Agriculture Entrepreneurs: Lochmead Dairy



20

What Ever Happened to Pendleton Grain Growers? Pay attention to your co-op

5 Wolf: A Resurgence in Oregon

28 Oregon FFA Experiences South Africa

32 How the Siskiyou Trail Became Interstate 5

34 Farm Stays Keep Couple on the Farm

36 80% of Oregon Marijuana Exported

37 Vertical Farming Struggling to Take Hold





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READER FEEDBACK

Oregon Family Farmer is the Talk in the State Capitol

(Bottom, Left to Right) Former Senate Minority Leader Ted Ferrioli, House Minority Leader Mike McLane, Senate President Peter Courtney, and House Revenue Chair Representative Phil Barnhart take a look at McLane's cover article in the Fall 2017 issue.



The Magic of Andrew Halls and the Oregon Hazelnut

Andrew Halls of Pacific Hazelnut shows off his Fall 2017 article entitled "The Wizard of the Oregon Hazelnut." Visit his shop in Aurora, or shop online at www.pacifichazelnut.com.



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From the
PRESIDENT



Matt Cyrus

**OREGON FAMILY FARM
ASSOCIATION**

The wolf population, once nearly wiped out because of bounties, increased

11% last year according to the Oregon Department of Fish and Wildlife.

"The Department of Fish and Wildlife counted at least **124** wolves in Oregon, according to the 2017 Annual Wolf Report released in mid-April."

WOLF

A RESURGENCE IN OREGON

The Department of Fish and Wildlife counted at least 124 wolves in Oregon, according to the agency's 2017 Annual Wolf Report released in mid-April. The report tallies the number of wolves seen by people as well as tracks and remote photographs. The wolf population is likely higher than 124, which is a minimum, according to an article in the Bend Bulletin. Most of the wolves live in northeastern and southern Oregon, but two gray wolves were seen in the

White River Wildlife Area of Wasco County in late 2017. That's the first time gray wolves have been seen in the northern Cascades since their forced return to Oregon at the dawn of the 21st century. The report noted 17 incidents of livestock killed by wolves last year, down from 24 reports the previous year. State biologists said five wolves were put down after killing livestock; four others were killed illegally. 🐾



“I NEVER THOUGHT I COULDN’T”

ALEC OLIVER OVERCOMES ADVERSITY

— WORDS: NAOMI INMAN & MITCH LIES —

PHOTOS: LYNNPHOTO.COM

On a February morning at her Bear Valley home, Tinka Oliver puzzled at the whirring drone outside her kitchen window — tipping this way and that as if to wave.

Her son, Alec, had a new way of stopping by to say, “Hi mom!”

From that same kitchen window, on a dark July night in 2012, Tinka puzzled at the sight of Alec’s truck, stopped half a mile down the long gravel drive. It was an odd hour at night, and oddly positioned to the side of the bridge, headlights beaming into the evening mist.

After a strange stillness for nearly an hour, Tinka roused Alec’s dad, J.C., to go and check.

Maybe Alec was fixing a fence or needed help with the horses.

When their headlights hit the scene, they first noticed an eerie scattering of litter around the bridge and broken pieces from the pickup — still upright on all four wheels. Their call to Alec yielded no response.

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Then the shock. Alec's torso hung, almost lifeless, out the open window of the driver's door.

THE ONE TO WATCH

Today's wet and mild temperature has delivered a welcome payload of rain, making the approach to Alec's double-wide home an unusually muddy slog for this time of year. Alec greets us from his porch, remote in hand, flying his DJI Mavic Pro drone — the one he uses to wave "Hi" to mom and check on the 13,000 acres of deeded ranchland that make up this historic Oliver Ranch.

His trim black beard and penetrating blue eyes frame a wide and welcoming smile. Thick, black waves of hair, hint at his Portuguese heritage. Broad shoulders and powerful arms hint at the double-duty required of them for every facet of life.

"I can sit here and fly out back in five minutes to check on the herd," Alec nods as he tips the screen to show Oregon Family Farmer photographer, Lynn Howlett.

From his porch, he points to the bridge where, after a night of drinking at a fundraiser in Seneca, he rolled his pickup off the bridge and everything in his life changed. In the accident, Alec's leg got hung up in the gear shift while his torso shot out the driver's window, stretching his spinal column like a bungee cord without breaking his back. The injury paralyzed him from the sternum

down, below the T7 vertebrae.

While the accident took the use of his legs, Alec's will and determination run circles around obstacles that often daunt others. Just six years since the accident, at 29 years old and a paraplegic, Alec seized the reigns of leadership in his industry that few would be eager to assume at any age or physical ability.

In this sunny Eastern Oregon valley near Seneca, he leads the local ranching community as President of the 60-member Grant County Stock Growers Association. He is committee chairman for the Oregon Cattleman's Association Young Cattleman's Committee, and Alec directs the marketing arm of Country Natural Beef (CNB) as a full-time employee.

For future cattle ranchers of Oregon, Alec Oliver is the one to watch.

DON'T BE A QUITTER

Life in the saddle—riding, roping and branding—had been a way of life for Alec since he was a young boy. "I began helping dad with the cows when I was four," he remembers. "By about 10 or 12 I started branding and roping for pay."

"The main thing for me as a kid, I just liked working with animals. It's already in your blood. You don't really think about it. This [pointing outside] it's just like breathing or swimming, or whatever."

"You don't need a body to ranch, you just need a mind. You can always hire somebody to do the work, as long as you've got the vision and the drive, and the goal and the knowledge of how to get there, you can tell somebody how to do it."

Alec meets with his ranch crew at 7 a.m. each morning, he says, "and I just keep rolling from there."

The challenge of riding and roping again, without muscle strength below the sternum, seemed almost inconsequential to his stubborn will to ride.

"When did you first think, 'I can do this!'," I asked.

In a split second, he shot back reflexively, "I never thought I couldn't."

Our visit is taking up good daylight hours on a workday, and Alec is

ready to saddle his quarter horse, Penelope, a college graduation gift from his parents. His dogs, Alice and Rocket, hover like shadows, anticipating Alec's every move as he shifts his body to the outdoor wheelchair and

heads out the mudroom towards his pickup and the barn.

His pickup includes a lift that helps Oliver work the ranch without the use of his legs. The lift, developed by Life Essentials of Dayton, Ohio, revolutionized Oliver's ability to ranch.

"It will take me out of the driver seat and set me into a tractor. It will set me onto a horse. It is the most useful thing I have on the ranch to help me do things," he says.

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"I can't do everything I did before the accident, but I can still ride," he adds. "I have my Ranger side-by-side fixed up, and I can do almost anything in that, from tagging calves to fixing fence to checking and monitoring water and moving cattle."

Last year, his father, J.C. Oliver III, lost a long health battle at the age of 67; effectively passing the ranch, and its legacy, to Alec and his mom, Tinka. J.C. held so many leadership positions and awards in this ranching community that his Driskill Chapel memorial notice reads like a resume of achievements.

"Alec took on a lot of responsibility early," says Tinka. "Even as a teen, he was dedicated to getting up early, getting to school and practice early. He was always responsible."

"J.C. always tried to impress on the kids, 'If you sign up for something don't be a quitter. You committed, you do it!'" Tinka continues. "And I think it worked pretty good because I've never seen Alec quit something. It might not be the way he liked it — but he stayed with it."

COLLEGE PREP

"When Dad was alive, I ran everything by him," Alec says. "Now, Mom and I will talk about where I see things going, but I do the planning and the oversight."

Alec's degree from the University of Idaho in Animal Science and Agribusiness (June 2011) proved invaluable to his position at CNB.

"This job is exactly why I went to college, although I didn't know it at the time," he says.

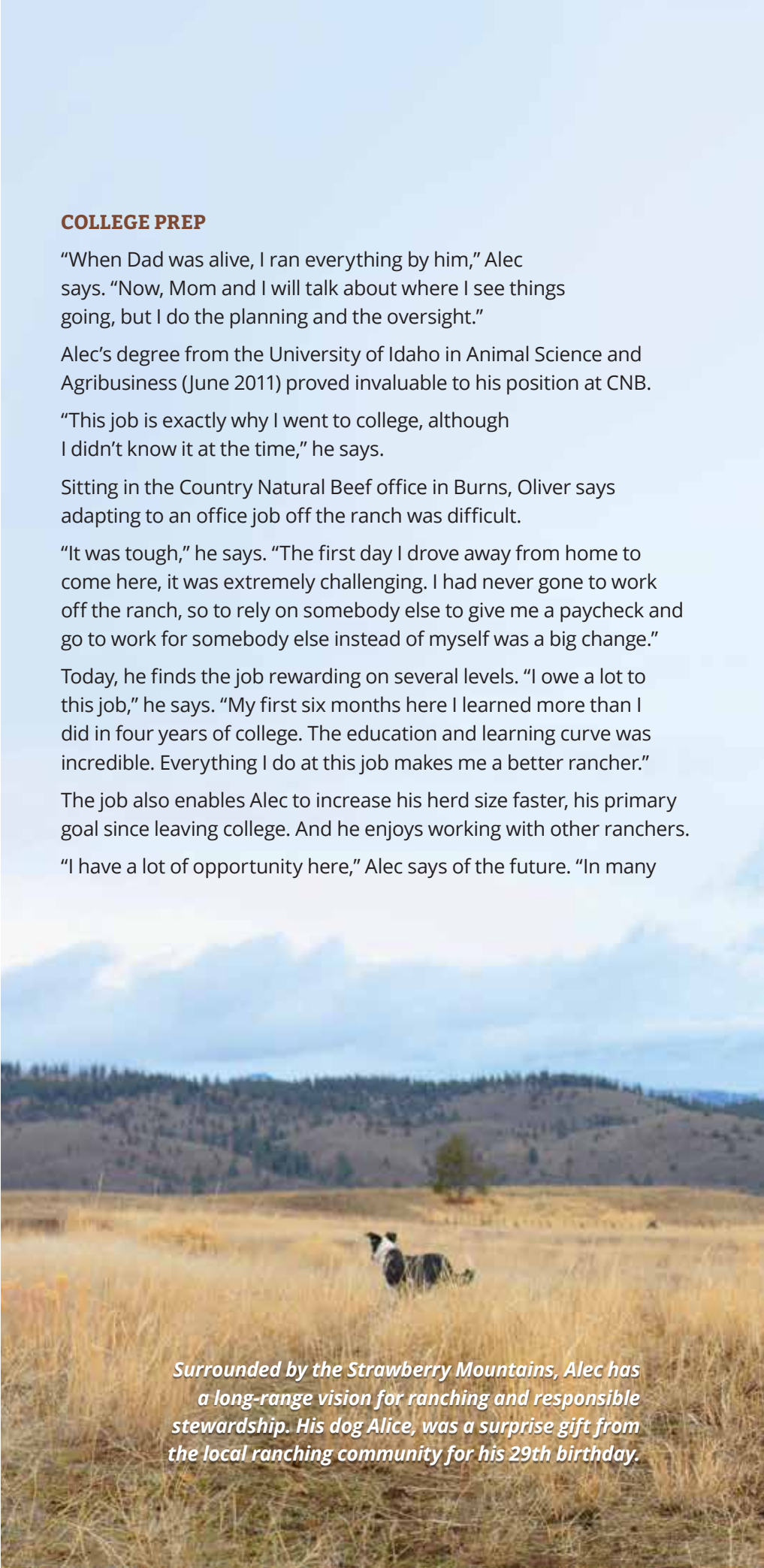
Sitting in the Country Natural Beef office in Burns, Oliver says adapting to an office job off the ranch was difficult.

"It was tough," he says. "The first day I drove away from home to come here, it was extremely challenging. I had never gone to work off the ranch, so to rely on somebody else to give me a paycheck and go to work for somebody else instead of myself was a big change."

Today, he finds the job rewarding on several levels. "I owe a lot to this job," he says. "My first six months here I learned more than I did in four years of college. The education and learning curve was incredible. Everything I do at this job makes me a better rancher."

The job also enables Alec to increase his herd size faster, his primary goal since leaving college. And he enjoys working with other ranchers.

"I have a lot of opportunity here," Alec says of the future. "In many



Surrounded by the Strawberry Mountains, Alec has a long-range vision for ranching and responsible stewardship. His dog Alice, was a surprise gift from the local ranching community for his 29th birthday.

operations around here, there's not a next generation interested in operating a ranch."

"Yet, there's a lot of opportunities for ranchers to help teach the rest of the world about the good things that are happening. We're learning how to deal with anadromous fish, with endangered species, with water and air quality issues and predators. There's a big opportunity to show what changes we've implemented, and how we've changed what grandpa did to keep up in today's world."

Spend a little time talking to Alec about ranching, and you'll see. Alec is clearly a leader. Clearly a visionary, a long-range thinker, and a strategic planner. "I think proper stewardship and forward thinking has to become apparent

between future generations and ranchers," he concludes.

ROAD TO RECOVERY

Alec's path to where he is today had an inauspicious start as he lay in a gurney at Craig Hospital in Denver, Colorado (a specialty rehab for people with spinal cord and brain injuries). Unable to move his legs, he remembers the emotions of that first day.

"I wasn't even checked into my room yet, and out of the corner of my eye, I saw a guy go by in a wheelchair, and that was pretty tough," he says. "I was like, 'Well, that's me. That's who I'm going

to be forever.' And it knocked me hard until I started wheeling around the rehab center and

seeing people with such terrible injuries... they needed a respirator just for their lungs to work."

"After seeing that, and knowing I had full utilization of my own lungs, my own arms and my mind, it helped raise my spirits a little," he says.

Still, he says there were moments, plenty of them, during a one-month stint in the Denver rehab when he fought to keep his spirits up.

"I asked a lot of God," he says, "and He helped me a lot. I asked for a lot of strength at times."

Alec also found inspiration in others going through rehab.

"In rehab, you become part of a team who supports and encourages one another, and even competes against each other to get better," he says.

continued on next page...





"That helped a lot, and it created some great relationships."

A visit from neighboring rancher Mike Bentz also spurred Alec to hold on to his dream of continuing at the family ranch.

"His words were, 'You don't need a body to ranch, you just need a mind,'" Alec says. "You can always hire somebody to do the work. As long as you've got the vision and the drive, and the goal and the knowledge of how to get there, you can tell somebody how to do it."

"That helped a lot. That was great motivation."

After returning home, he adjusted to a new reality, full of limitations.

"It was hard," he says of those first weeks home from rehab.

"I sat there for two weeks getting acclimated to what I couldn't do. But you can only sit there for so long before going stir crazy and you figure out how to do things."

Within a month, Alec was back in his own place. In December, five months removed from his accident, he fielded a call from Stacy Davies of Country Natural Beef (CNB), a cooperative of 80 ranches that markets branded beef throughout the

Western United States.

"He called and asked me if I wanted a job," Alec says. "I kind of laughed and said, 'No, I don't want a job, but I need a paycheck,' because I had quit collecting a paycheck from the ranch."

By February of 2013, seven months after his accident, Alec was working full time at CNB. By May, he was back in the saddle, roping calves with a branding crew. A bucket on the tractor served as his first homemade "lift" into the saddle.

Today, Alec's day starts at 6 o'clock a.m. with a CNB conference call. He meets with his ranch crew at 7 o'clock, "and I just keep rolling from there," he says.

His foreman, Jake, does most of the physical labor and handles most of the day-to-day work.

"We meet every morning and make a plan for the day and the week and talk strategy," Alec says. His mom pays the bills, handles a lot of the ranch's bookwork, and helps in management decisions.

A PICTURE OF HOME

The Oliver Ranch looks like a lot of Eastern Oregon spreads. A stand of timber borders two sides of

the fifth-generation operation, Hereford and Red Angus cattle graze in meadows and horses roam on 13,000 deeded acres — the storied legacy of his great, great grandfather, Joseph Cayton Oliver — a stowaway to Oregon from Portugal's Azores Islands in 1866.

More than 160 years later, evidence abounds of the Oliver family's deep roots in their community. Since the earliest days and weeks after the accident, local ranchers continue to show an outpouring of support for Alec and his family.

Just three months after the accident, they held a community fundraiser in Seneca, raising \$60,000 to help Alec with the necessary adaptive equipment to stay mobile on the ranch, including a neuro-stimulating exercise bike, truck lift, and track chair that can tackle most any terrain.

Last June, the ranching community surprised him for his birthday with a highly trained border collie named Alice. "I don't get surprised at much, but that surprised me," he says.

"I rely a lot on my dogs and the people and animals around me

to get things done," he says. "It's important for me not only to have well-trained horses and dogs, but well-minded horses and dogs, and I was really fortunate that the ranchers of CNB and other folks gave me that fully trained dog. I had some dogs already, but not one of this quality. It has been a huge help."

Alec hopes one day to walk again, something his doctor says is a distinct possibility. He trains every day, riding the stationary bike especially designed to stimulate his muscles and maintain bone density.

"It will be good," he says of the moment he first walks. "I'm excited for it. It will be a pretty

big shock for a lot of people."

When that day comes, only the external props will change. This undaunted cowboy exudes strength and determination, a keen mind, administrative talent and the technical and marketing savvy so necessary for a new generation of ranchers.

His commitment to the ranching community and achieving success are already in high gear. When Alec walks one day, his legs will be challenged again — to catch up to his spirit.

I ask if he knows how he inspires people. Tinka pipes up, "People in town admire how he carries on. To show that 'Look, you can still

accomplish so many things in life."

"It's good to hear," Alec says reservedly. "Hopefully it results in inspiring somebody to push themselves further than they think they can go."

Alec mounts his horse, looking the picture of strength and determination. His talent and skills, roping and riding on a horse, surpass many able-bodied cowboys. He's in his element, "just like breathing," he says.

I ask, where else might he picture himself in the future? Again, his reflexive response says it all.

"Right here," he says, "This is the only picture I have really. This is home." ■

More to THE STORY

Read about Alec's father, J.C. Oliver III, at driskillmemorialchapel.com/notices/Joseph-Oliver

Read about Oliver Ranch and Alec's great, great grandfather, J.C. Oliver II, at countrynaturalbeef.com/oregon-ranchers

See Randy Bird Therapy Saddles on page 17



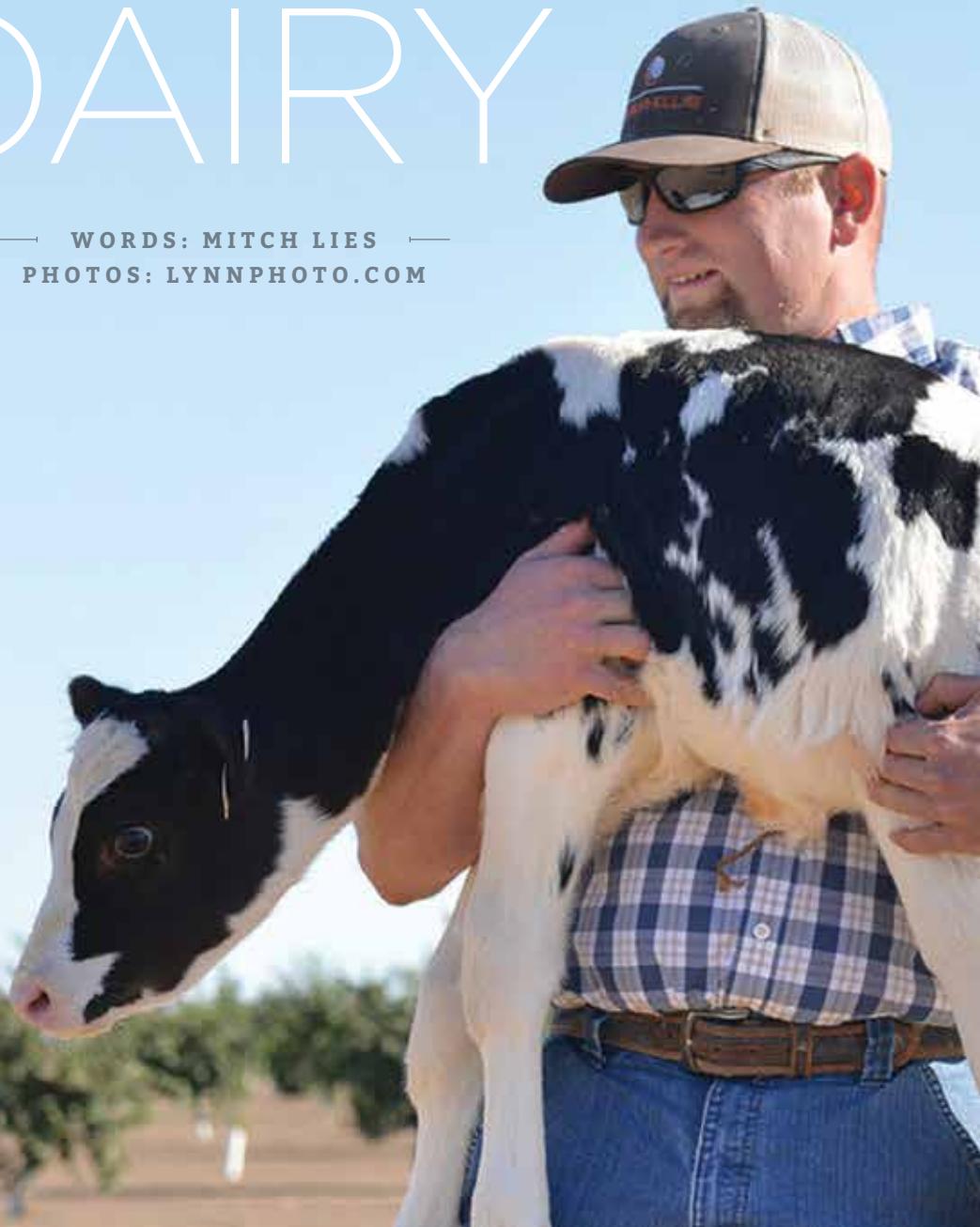
— REGULAR —
FEATURE
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Entrepreneurs



— DOWN HOME ON —

LOCHMEAD DAIRY

— WORDS: MITCH LIES —
PHOTOS: LYNNPHOTO.COM



Look hard enough and you might find an Oregon agribusiness more homespun and inspiring than Lochmead Dairy. But it won't be easy.

What originally began as Lochmead Farms, when Howard Gibson purchased 120 acres near Junction City in 1941, today is known as Lochmead Dairy. Producing and processing 7,000 gallons of milk a day, they churn out award-winning ice cream from their plant in downtown Junction City. Lochmead sells most of its products directly to customers at 44 family owned and operated Dari Mart convenience stores in Linn, Lane and Benton counties.

Lochmead also sells yogurt to several institutions and produces gelato mixes for customers as far afield as Alaska. Among their newest ventures, the Gibson family manufactures and markets a vegan, soy- and gluten-free ice cream by the name of

Luna and Larry's Coconut Bliss, sold locally and internationally.

International sales aside, the local nature of this operation defines this family run business. It all started on the farm Howard and Gladys Gibson purchased 77 years ago, four miles north of Junction City.

Today, of course, Lochmead Farms is much larger than the 120-acre plot Howard and Gladys originally purchased, and the Gibsons milk hundreds more than the 100 head of cows Howard purchased in 1945, the year he began full-time dairy farming full time.

Today's dairy operation, run by Buzz Gibson and son Chris, milks 650 cows. The family's 2,800-acre farm, run by Scott Gibson

and his uncle Mike, produces about 85 percent of the dairy's feed, as well as blueberries, grass seed, wheat and peppermint, some of which are used in the family's dairy products.

Lochmead Dairy's vertical integration started in the 1960s when Howard and his three sons decided to take full control of the milk they produced. Instead of shipping it to a processor for bottling and sale around the Northwest, the family decided to build and operate their own plant, selling their milk directly to customers through DariMart stores.

Business did not pick up right away, according to Stephanie Gibson-Hawks, Howard's

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Chris Gibson, Lochmead Dairy Vice President and Dairy Manager



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granddaughter, who is general manager of the Lochmead Dairy processing plant.

"It was slow going at the beginning," she says. "It was hard to get people to trust a new store back then, and we couldn't continue running the processing plant until we sold the milk."

The trick was free milk.



"My Dad (Jock Gibson) tells how he put a sign out front for 'Free Milk,'" Stephanie says, "and from that day forward, we've had very loyal and dedicated customers who appreciate our high-quality products. They've stuck with us for a long time."

Stephanie emphasizes several key factors that ensure the high quality of Lochmead products: first and foremost, keeping milk fresh. While some dairies transport milk hundreds of miles for processing, Lochmead's milk travels four miles from the dairy to the plant. Once it arrives at the plant, the milk is quickly processed, bottled and distributed to 44 Dari Mart stores.

"Our milk gets from cow to customer in 48 hours," Stephanie says.

continued on page 18...



Stephanie Gibson-Hawks, General Manager of Processing shows off Lochmead's award winning ice cream. The 2018 World Dairy Expo in Wisconsin awarded Lochmead Dairy top prize in the dark chocolate category and 2nd in the vanilla category.

PURPOSE

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RANDY BIRD THERAPY SADDLES

Alec Oliver (see page 6) first worked with a local saddle maker, Brad Mastre of Burns, Oregon, to accommodate a saddle to his injury. They soon discovered and took inspiration from Randy Bird, a saddle maker in Celeste, Texas, whose story of a spinal cord injury after a night of drinking and driving uncannily mirrored Alec's.

Bird now makes custom therapy saddles for riders with spinal cord injuries and promotes Hipotherapy, a type of physical therapy on horseback that stimulates blood flow up the spinal cord, similar to that of walking.



"I wouldn't be physically, mentally, or spiritually where I am today, without my horse."

—Randy Bird

"God never does anything for just one person, but he does it through one person, that it might affect a whole multitude of people."

—Randy Bird

"The outside of a horse is good for the inside of a man."

—Winston Churchill

To learn more, visit BirdSaddles.com

“Our milk gets from cow
to customer in **48 hours.**”



Chris Gibson, Lochmead's Dairy Manager, takes great care in the health of his 650 dairy cows.



...continued from page 16

Keeping cows healthy and happy also is important, she says.

“It all starts with the cows. It starts with how well they are treated, the cleanliness of the cows and the milking parlor. Then, how fast can they get that milk cold and keep it cold,” she says.

The herd size limits the dairy's production, but that hasn't stopped the family from expanding. Among the family's expansions was the purchase of the Coconut

Bliss product line in 2008.

“It was just a natural fit,” Stephanie says. “We weren't necessarily looking to grow. The goal was to support our employees with a full work schedule and keep the ice-cream room in production to make it profitable.”

“We make very intentional decisions about our growth,” Stephanie says. As for the future, Stephanie says the dairy may look to pick up more gelato mix customers and increase

its yogurt and sherbet lines. “We would like to see the sherbet line grow because it is a high-end product with very good flavors.”

In the meantime, Coconut Bliss continues on a growth curve. “Coconut Bliss will just naturally grow, and we want to keep up with that,” Stephanie says.

At its core, however, Lochmead Dairy will always be a homespun, family-run operation. “You can count on it,” Stephanie says. ■

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WHAT EVER HAPPENED TO PENDLETON GRAIN GROWERS?

— PAY ATTENTION TO YOUR CO-OP —

— **WORDS: ERIC FRUITS, PH.D.** —

Eric Fruits, Ph.D. is chief economist and president at Economics International Corp.
and an adjunct professor at Portland State University.



Farmland Industries was once the largest farmer-owned co-op in the United States. In 2001, it opened a new headquarters in Kansas City. The glass-wrapped building and deluxe executive suites told the world that Farmland had become an agribusiness giant. At the time, the co-op was racking up debt—building a big expensive fertilizer plant, upgrading older fertilizer plants, and spending nearly \$100 million on new computer software. In 2002, Farmland filed for bankruptcy. By 2004, its last big asset had been sold off.

Closer to home, in 2011, Pendleton Grain Growers opened a large grain storage facility at the Port of Umatilla. However, audits revealed that during this period the co-op had actually overstated its earnings by \$1.8 million in 2010 and \$5.7 million in 2011.

In 2012 the U.S. Department of Agriculture suspended PGG's warehouse license for 44 days, citing inventory audit discrepancies. While PGG eked out a profit of \$434,681 in 2012, financial statements show the co-op lost approximately \$4.4 million in 2013 and \$7.9 million

in 2014. In 2016, the co-op's members voted to dissolve PGG after 86 years in business. The co-op's 1,850 members will have to wait years to see any dividends from the sale of PGG's assets, if any. Two years later, PGG is still in the process of selling off its assets.

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Agricultural co-ops are owned by farmer-members. Members elect a board of directors. The board sets the overall operating policies, approves the annual budget, and oversees professional management.

Professional management implements policies established by the board and handles day-to-day operations. The co-op's profits—also known as “economic benefits”—are to be distributed to members based on the member's use of the cooperative.

As co-owners, members share in the costs of operating the business, as well as the costs associated with expansion and unforeseen emergencies. Pendleton Grain Growers' failure was due in large part to the

board's inability to adequately oversee the management team who overstated earnings. While PGG racked up losses, neighboring co-ops were earning profits and making patronage and equity payments to their members.

Marketing and supply cooperatives are the most common types of agricultural cooperatives in the United States. Marketing cooperatives assemble, pack, process, and sell members' products in both domestic and foreign markets. Supply cooperatives purchase products and services for their members. By making large-scale purchases of fuel, seed, fertilizers, and pest control products, members expect to obtain lower prices for their inputs. Farmland Industries was hit hard by losses

in its fertilizer business. In the midst of building its extravagant headquarters, the price of natural gas, an important raw material in fertilizer, began soaring. By 2002, the co-op faced a loss of \$50 million of their members' equity.

Remember the infomercial for the Ronco rotisserie? That's the ad that said, over and over: “Set it and forget it!” Set it and forget it may be an okay strategy for roasting a chicken, but it's a terrible strategy for the business you own. PGG, Farmland Industries, and other failed co-ops provide valuable lessons to Oregon farmers considering co-op membership/ownership. That lesson is pay attention: pay attention to the board; pay attention to management, pay attention to financials.

Clues to Complex Co-op Accounting

PATRONAGE INCOME

Sales and business with the co-op's own members. Often the most significant source of income for an agricultural cooperative.

NON-PATRONAGE INCOME

Sales and business to non-members of the co-op.

NET MARGIN

Annual accounting determines the co-op's revenue, expenses, and deductions, resulting in the net margin. The portion of the net margin associated with patronage income is then distributed proportionally to each member's patronage of the co-op.

PATRONAGE REFUND or PATRONAGE DIVIDEND

The net margin generated by the members' use of their business is refunded to the members. This income returned or refunded is called a *patronage refund* or *patronage dividend*.

EQUITY OWNERSHIP

Equity refers to the member's ownership interest in a business. Equity is the sum of an owner's capital contributions when added to subsequent profits (or subtracted when a loss). Many cooperative members/owners contribute increasing capital every year to the business through *retains*. If a cooperative's total outstanding retains exceed total owner equity then members should pay close attention.

Pay Attention to the Board

A co-op's board is democratically elected by co-op members. When it's time to elect a board, pay attention to who is running. Remember, the board sets the co-ops overall operating policies, approves the annual budget, and oversees management of your business. Selecting the most popular or least controversial person is not the wisest choice for this job. Members need to study carefully the strengths and weaknesses of the co-op and determine how the leadership skills of the candidates address them. It's tempting to vote for the candidate who paints a rosy picture. That person may be a great candidate.

But he or she may also need the balance of another board member who is skeptical of overly optimistic forecasts or overly aggressive capital spending. One question to ask yourself is: would you let the board members run your farm?

Once the board is elected, members like you can't just "set-it-and-forget it" about the board. You need to keep in contact with the directors to ask questions, make comments, and request changes or new services. You also need to observe and evaluate how directors perform. Are directors watching the management, or are they just cheerleaders for the CEO? Are directors making wise investments? Are they looking out for members' best interests? Did Farmland need a flashy new corporate headquarters while its fertilizer business was

flailing? Did PGG need a new grain storage facility while its business was doing worse than reported?

Pay Attention to Management

In a co-op, the board of directors decides what the cooperative will do. The management decides how it will be done. Under ideal conditions, the general manager's principal tasks are planning, reporting to the board of directors, and controlling the co-operative's operations.

Bookkeeping and preparing financial reports are key pieces of management's job. In many cases, the compensation of senior management is tied to the financial performance of the co-op. On the one hand, tying

continued on next page...

RETAINS

The amount of a member's crop payment retained (kept back) by the co-op is called a retain. Patronage refunds, or a portion of a farmer's crop payment, can be retained by the co-op and add to the member's equity ownership in the co-op as a capital contribution.

Many co-ops have a schedule to redeem or pay back retains (the grower's investment), calling them "equity dividends," over a years-long schedule. Schedules are typically three to five years, but some can be extended by the board to 10 years or longer. For example, with a three-year schedule, patronage income earned by members and retained by the co-op in 2015 would be paid back to the grower in cash in 2018 if the co-op has the cash on-hand. Co-op boards are typically given great powers to decide if and when capital contributions would be repaid.





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Until its sudden collapse in May 2016, Pendleton Grain Growers had been considered a solid institution since its founding in May 1929.



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the pay of management to the performance of the co-op helps ensure that managers are acting on members' best interest. On the other hand, it creates a temptation for managers to take unnecessary risks or—in documented cases—act unethically. Co-op members and their elected board must pay attention to management to make sure management is running the co-op to benefit members first.

In 2011, A federal judge sentenced the former CEO of California's Humboldt Creamery to prison and ordered him to pay \$7 million for falsifying financial records for a loan from CoBank ACB. The CEO inflated the company's inventory

and accounts receivable from 2005 through 2008, which ultimately led it to default on a loan from CoBank, bankrupting the company. The company was 75 percent owned by a cooperative of local dairy farmers.

In 2012, Diamond Foods, who had just converted from a walnut grower cooperative, faced allegations of fraud. An investigation into the company's accounting resulted in a restatement of earnings wiping out \$56.5 million in profits over two years. In 2014, Diamond Foods, and its former CEO, paid \$5 million to settle fraud charges with the Securities and Exchange Commission (SEC) over the scheme.

Pay Attention to Financials

Most co-op members pay attention to only one financial statement: the annual statement showing the *patronage refund*. Many co-ops pay part of their *net income* (or *net margin*)—usually 20 percent—in cash to their members and retain the remaining funds for future capital needs. These *retains* are allocated to each member's account, although some co-ops also keep a portion of the net income as unallocated reserves. Tax laws require that co-ops notify each member in writing of their *patronage refunds*

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and the total amount allocated to the members account. Pay attention to this statement. Co-op accounting is very complex and difficult for many members to understand (see sidebar on p. 22).

Co-op members have a right to look at the group's annual reports. Pay attention to those annual reports. Look for red flags, look for big changes, look for accounting terms that are unfamiliar or hard to understand. One big red flag is a change in accounting practices. Look for changes in how revenues and inventory are calculated (year to year). In Minnesota this year, the Ashby Farmers' Cooperative

Elevator closed for business in the wake of fraud by its long-time manager, including false claims that the co-op had \$4 million worth of grain in off-site storage. Do a sniff test. If you feel like it was "bad year" for your crop, is that showing up in the financials? Do you see unexplained changes in inventory, write-offs or adjustments? Or do the financials make things look better than you think they should? A red flag doesn't necessarily mean something's wrong or someone's cheating, it does mean you should ask key questions.

Co-ops provide many benefits to their members. However,

membership in a co-op should not be treated as a "set it and forget it" proposition. Instead, take the approach of "trust, but verify"—or smarter still — "don't trust and verify." Members must pay attention to who runs their co-op, how they run it, and what is being reported. When you are a member of a cooperative, you are also an owner with every right to know the whole truth — including the good and the bad. The most effective co-ops succeed when owner-members pay careful attention to the board, the management and the financials for their organization. ■

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OREGON FFA

EXPERIENCES SOUTH AFRICA



— WORDS: EMMA ROOKER —

Early this year, the Oregon FFA State Officer team embarked on an international adventure. As part of that team, and serving as the State Vice President for 2017-18, my life became a whirlwind of travel and constant learning. I jumped at the chance of international travel, trading in my blue Oregon FFA jacket and heels for my passport and a totally different agricultural experience: the ILSSO, International Leadership Seminar for State Officers.

I joined a group of seventy-five

state officers from across the U.S. on an eighteen-hour flight from Washington D.C. to Johannesburg, South Africa. Our first day began at 6:30 a.m. at a local farmer's market. Except for the fragrance of unfamiliar flowers, spices, and exotic blend of multiple languages, one might have mistaken it for an Oregon farmer's market. Complete with dogs, bikes, and families with children, the sound of conversations between friendly farmers and hungry customers filled the air. For first half of our trip, we

continued those conversations, and explored a goat farm, embryo transfer facility, and farms for bananas, macadamia nuts and avocados. We even managed to find some John Deere machinery.

Our visit to the African Leadership Academy (ALA) was one of the most impactful. Built upon six core values of curiosity, diversity, intelligence, excellence, humility and passion, the ALA is working to develop ethical and entrepreneurial young leaders who will address Africa's greatest

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Learning to Do Doing to Learn

Earning to Live Living to Serve



OREGON FFA FOUNDATION

Oregon FFA

Today's agricultural industry is more than planting and harvesting; ***it is a science, a business and an art.***

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The Oregon FFA Foundation

The mission of the Oregon FFA Foundation is to coordinate sustainable, long-term funding for agriculture education and the Oregon FFA. The Foundation supports our young people today with over 6,000 students in 103 local FFA chapters as they become farmers, ranchers and agribusiness leaders prepared for tomorrow's agriculture industry.

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**“As we speak, drought
is threatening the
entirety of farmland in
the Southern Cape.”**



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challenges. Everything they do flows from these values. We learned that the average age of an African is 18-19, and 70 percent of the African population is under 30. Like FFA, ALA, focuses on young people and their success as leaders, entrepreneurs, and job creators. Housing students from all walks of life and all parts of Africa, ALA makes an exponential impact in the lives of young Africans.

Next, we traveled to Cape Town, the bustling, multi-cultural crown jewel of South Africa. Table Mountain towers in the distance. Beyond the city's eccentric architecture and colorful streets, farmland stretches for miles. Originally dubbed the “Cape of Storms,” they desperately wait for the perfect storm. Drought currently threatens farmland throughout the Southern Cape and, by extension, is

detrimental to income, job creation, imports and exports.

As our group toured the orchards, we observed sunburnt apples and reduced fruit size, due to restricted water allocation. However, none of these challenges were a match for the resilience and grit of the agriculturists themselves. Farmers may be cut from a special type of cloth, and you can still find them in any part of the world, building





“As FFA members, and as agriculturalists, we are a part of something much bigger than ourselves.”

their lives upon the audacity to try “one more time.” They told us that, “When there is rain in South Africa, there is hope.” While that is quite true, I think it’s also true that where there are farmers, anywhere, there is hope as well.

Why would Future Farmers of America travel to South Africa? How would an international trip serve our members and Oregon agriculture as a whole? As FFA

members and agriculturalists, we are a part of something bigger than ourselves. While on a different continent, we easily drew lines that run parallel to the American agricultural industry we know and love. This year, my teammates and I enjoyed a unique position as we traveled the state, enjoying access to a unique sphere of influence.

Much of who we are is where we’ve

been. My team will continue to share our experiences with hopes of impacting the next generation. Though it was bittersweet to wish the rainbow nation goodbye, we were eager to return home to share our experiences. Inspired by the undying faith we saw in the midst of drought on the Southern Cape, I and hope to inspire others to match their determination in promoting an industry that feeds us all. ■

“When there is rain in South Africa, there is hope.”



HOW THE CALIFORNIA-TO-OREGON SISKIYOU TRAIL BECAME INTERSTATE 5

— WORDS: TIM LYMAN —

Ewing Young was one of the first Europeans to travel the series of Native American trails between the Willamette Valley and today's Sacramento area. His goal: to drive a herd of horses and mules to the Willamette Valley in 1834. He made the trip again in 1837, successfully bringing an additional 630 head of cattle to the valley.



In 1834, Young was trapping and trading in Alta California, when he met Hall J. Kelley, a promoter of the Oregon Country, in San Diego. Young agreed to travel with Kelley to Oregon. With 200 horses and mules, they set out in July of 1834 with other prominent figures from the Willamette Valley including Webley John Hauxhurst and Joseph Gale. The Mexican government of Alta California accused Young and his group of stealing the horses and mules. Young and his partners denied this, declaring that some uninvited traveling companions stole the horses.

Navy Lieutenant William A. Slacum arrived at Cape Disappointment on December 22, 1836, on board the Lorient. President Jackson had commissioned Slacum to visit and detail "the different settlements of whites...and also at the various Indian villages" in the Oregon Country. He found the settlers bitter over the Hudson's Bay Company's (HBC) monopoly on cattle, which they rented, but would not sell, to the settlers. Slacum proposed bringing cattle from Alta California, to end the HBC monopoly.

Investors, including HBC Chief Factor Dr. John McLoughlin, formed the Willamette Cattle Company. On January 22, 1837, the overland party of 11 men

and three Native American boys set sail aboard the Lorient from Wappatoo (Sauvie) Island. In Alta California, they purchased 746 head of cattle at \$3 per head, and 40 horses at \$12 each. On July 27, the group began the cattle drive to Oregon. In October, the group arrived at the European settlements of the Willamette Valley with approximately 630

head of cattle and 15 horses. Dividing the animals amongst the investors at a value of \$8.50 per head, Young received the largest allotment of 135. Expenses for the group who traveled to California totaled \$42.75.

The cattle drive made Young the wealthiest man in the Willamette Valley. The settlement of his heirless estate led to the formation of a provisional

government in 1841. Young's cattle trail became known as the Siskiyou Trail, and became the main route for overland travelers between Oregon and California. In 1911, the Pacific Highway Association used the trail as part of the Pacific Highway, which extended from Canada, to San Diego, California, at the Mexican border. In 1926, the Pacific Highway became US 99, which became a main piece of building Interstate 5, beginning in the 1950s. ■



Ewing Young



“FARM STAYS”

KEEPS COUPLE ON THE FARM

— WORDS: MITCH LIES —

“There is a lot of benefit in agritourism for society as a whole to have a better understanding of what farmers are doing out there, and what services they provide.”



It didn't take long for Scottie and Greg Jones of Leaping Lamb Farm in Alsea, Oregon, to encounter the difficulties of generating a profit on a small farm. New to farming in 2003, the couple realized by 2005 they needed more than the income from raising sheep to fulfill their dream of living off the land.

Enter agritourism.

Having lived in Europe, Scottie Jones says she was familiar with farm stays, a form of agritourism that involves overnight lodging on a working farm or ranch and typically includes participating

in farm chores. Opening up their farm to customers, she thought, might generate the kind of revenue needed to continue farming.

“I also liked the idea of sharing our farm with other people,” Jones says. “And I thought it was important to educate other urbanites about how food is grown and the dynamics of farming: the things that you can control, the things that you can't control, the funny stories, the sad stories.”

Being new to farming, she thought, would be a benefit. “I figured I would be a good host,

because I asked all the same silly questions that I had a feeling our guests were going to ask.”

Still, Jones had no idea if the venture would succeed, in part because Leaping Lamb Farm was the first operation to offer a farm stay in Benton County. That question was answered in a heartbeat, however. “It pretty much took off as soon as we started marketing it,” Jones says.

Leaping Lamb Farm, one of about 30 farm stays in Oregon today, is booked solid from June through Labor Day each

year, and maintains a steady flow of overnight lodgers during the slower spring and fall months, as well.

According to Melissa Fery, Oregon State University Extension Small Farms agent for Benton, Linn, and Lane counties, farm stays and other forms of agritourism are vital components of many farm operations today.

"Agritourism allows a farm to diversify its income stream beyond just the products it produces or raises," Fery says. "It can really enhance the income for farms who are interested. But not all farmers are willing to have people visit their farm."

"There is a lot of benefit in agritourism, and for society as a whole to better understand

what farmers do, and what services they provide."

"At its most basic level, agritourism involves inviting the public to a farm," says Fery who helped coordinate two Extension Agritourism Summits and offers advice to farmers considering its benefits. "It can include everything from u-pick, or operating a farmstand, to educational workshops and tours on your farm, or overnight lodging," she says.

"The educational component of agritourism is a key part of the venture, and provides a valuable service to the farm industry."

"Even when people are just on the farm to pick some corn, they are learning about where corn grows, and that people in their area raise

these crops," Fery continued.

Agritourism, according to Fery, can be the lynchpin that keeps younger generations on a farm, helping sustain the social fabric of rural America. "As the farm team expands through marriages and what not, agritourism might be an opportunity for the next generation to excel, where the previous generation might not have been interested in it," Fery says.

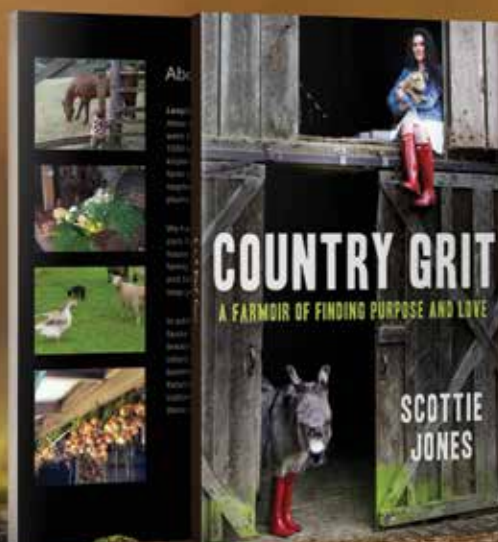
And in some cases, such as at Leaping Lamb Farm, agritourism can be the difference between shuttering a farm operation and continuing.

"If we didn't have a farm stay, we probably wouldn't still be here," Jones says. ■

Country Grit Chronicles Life on a Farm for Former City Couple

Scottie Jones of Leaping Lamb Farm has chronicled what it has been like to shed city life for the country in *Country Grit*, a book now available on Amazon.com.

In the book, subtitled "A Farmland of Finding Purpose and Love," Jones recounts the life-changing transition she and her husband, Greg, experienced after leaving suburban Phoenix, Arizona, for a peaceful-looking 60-acre farm in Alsea, Oregon.



A synopsis of the book states: "In a world increasingly filled with questions of where our food comes from and dissatisfactions about our modern lives, *Country Grit* is a story that will resonate with countless people itching to get back to the land. Told with humor and hard-earned wisdom, it is also an account of what small-scale farmers across the country experience every day and a warning that the farming life is not for everyone."



OF OREGON MARIJUANA EXPORTED?

“An Oregon State University researcher estimates that state production is three to five times higher than state consumption.”

— WORDS: ERIC FRUITS, PH.D. —

Much of Southern Oregon sits at the northern tip of the Emerald Triangle, one of the nation's best marijuana growing regions. The climate is ideal for growing cannabis. The growing season extends into fall and the long warm summers bring little or no rain.

Oregon produces such high yields that state senator Ted Ferrioli once noted that the state is the “Saudia Arabia of marijuana.” An Oregon State University researcher estimates the state production is three to five times higher than state consumption. That means a large share of Oregon's marijuana crop is being sent out of state.

Sam Chapman, cofounder of New Economy Consulting, a Portland firm specializing in the marijuana industry, told VICE News, “I’d

guess 80 percent of all product in Oregon is, unfortunately, leaving the state.” The Oregon State Police's drug enforcement division identifies Illinois, Minnesota, New York, and Florida as statistically significant destinations for Oregon-grown cannabis.

Recent research published by the National Bureau of Economic Research indicates that a large share of retail recreational marijuana is diverted out of the state in which it's sold.

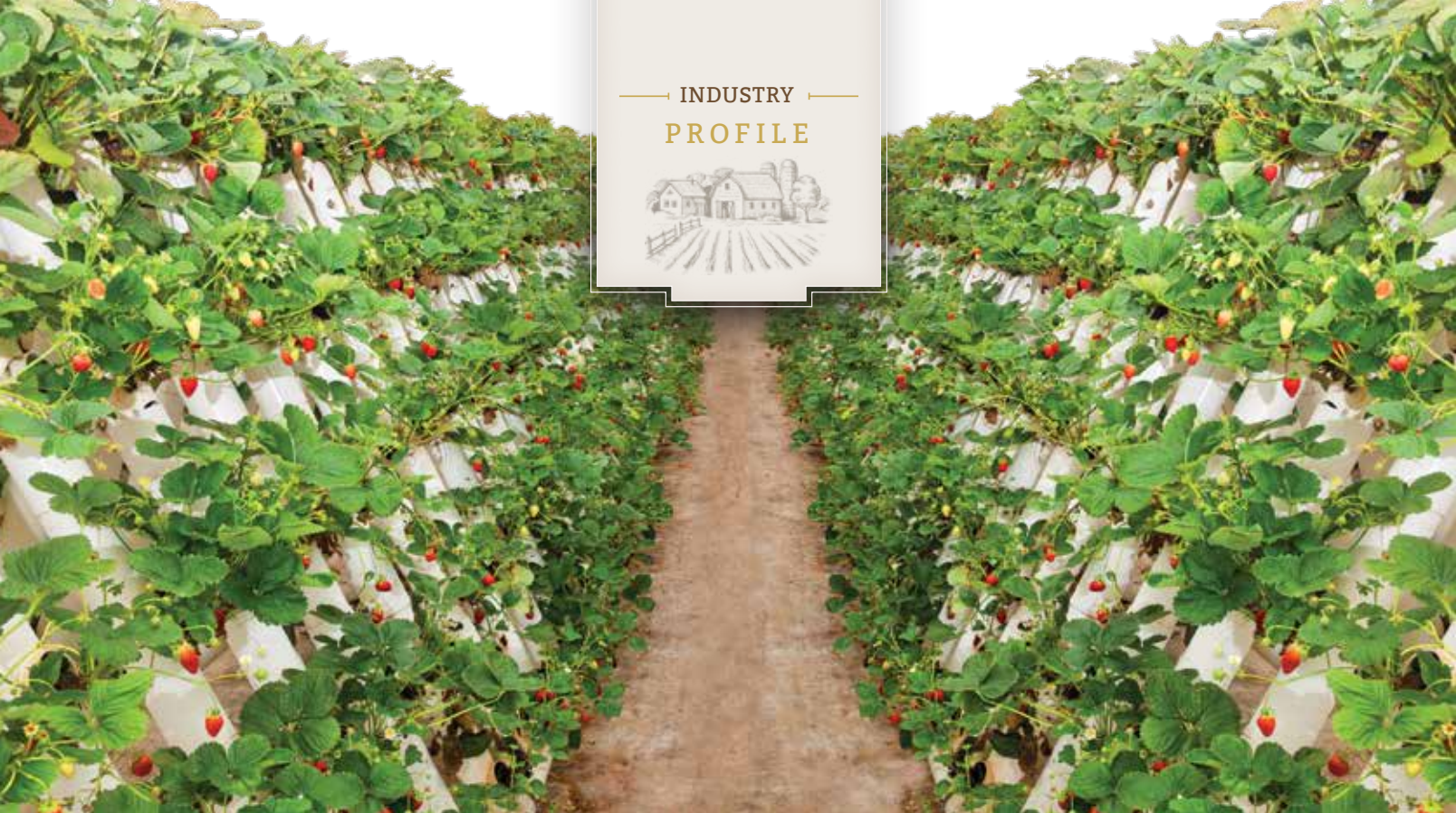
The diversion of marijuana from states that have legalized cannabis sales to states that have not, has caught the attention of the U.S. Attorney General's office. The AG sent Oregon Governor Kate Brown a letter in July 2017 reminding her that marijuana is a

federally controlled substance and the federal government intends to enforce the federal laws.

Public opinion in favor of medical use and recreational use for adults continues to grow. Also, new studies are showing that opioid deaths are down in states with medical marijuana markets.

In the U.S. Congress, the Washington Post reports strong majorities who have voiced support for at least some form of change to the nation's marijuana laws: 270 representatives and 60 senators have indicated they at least support the right of states set their own cannabis policies.

Until then, states that don't choose to legalize weed can expect to deal with Oregon's fast-growing export of marijuana. ■



— WITH SOME EXCEPTIONS, —

VERTICAL FARMING

STRUGGLING TO TAKE HOLD

— WORDS: MITCH LIES —

With a degree in engineering and a farm background, the idea of starting a vertical farm had a strong appeal for Daniel Christensen. Making money on the concept, however, proved difficult. And, by the start of 2017, after a nearly two-year run, Christensen had shuttered Portland-based Strata Farms and

focused on operating his family farm in Central Washington. Christensen, it turns out, isn't the only entrepreneur finding it difficult to carve a living out of vertical farming. Several vertical farms have closed over the past few years, including ones in Atlanta, Chicago, and Vancouver. The concept is flourishing,

however, in the San Francisco Bay Area at Plenty, Inc. By utilizing investor funds, including backing from Jeff Bezos of Amazon, Plenty Inc. produces some 2 million pounds of lettuce a year in a 50,000 square-foot building with 20-foot-tall towers. In addition, again with backing from Bezos, Plenty is looking to expand into

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“You have to scale it and be really efficient and have a really good product in order to survive.”

Seattle by the middle of this year.

Christensen, who refitted his garage into a vertical farm by utilizing pallet racks, irrigation pipes and grow lights, said he found several aspects of vertical farming intriguing, including that it takes one-tenth the acreage for a vertical farm to produce the same amount of

produce as a conventional farm.

The opportunity to deliver fresh produce to local outlets on a year-round basis also had its appeal.

Getting the produce to chefs and local grocers at a competitive price, however, proved difficult.

“What I learned was we are so efficient at producing food it is

hard to compete, and I think a lot

of vertical farms are seeing that,”

he said. “Not that there isn’t a

place for it, but you have to scale

it and be really efficient and have

a really good product in order

to survive. And you have other

challenges, like transportation and

getting your product to chefs and

local grocers who want it.” ■

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